THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
2005–2006

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THE EMPIRE CLUB OF CANADA

2005–2006

102nd Yearbook

Her Majesty Queen Elizabeth II
Queen of Canada
wearing Her Canadian insignia
as Sovereign of the Order of Canada
and the Order of Military Merit

THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
2005–2006

GOD SAVE THE QUEEN

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The Empire Club of Canada

Royal York Hotel
100 Front Street West
Toronto, Ontario M5J 1E3
(416) 364-2878

ISBN 0-9734345-0-3

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of the speakers themselves and do not necessarily carry the
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The Empire Club of Canada

Published by
The Empire Club Foundation

Yearbook Chairman, Edward P. Badovinac

Photography by Charlene MacEachern and Leni Johnston

Typeset by Fine Impressions, Toronto, Ontario

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William G. Whittaker, QC
President, 2005–2006

THE EMPIRE CLUB OF CANADA PRESIDENT'S FOREWORD

> *Abruptly the poker of memory stirs the ashes of recollection and uncovers a forgotten ember, still smoldering down there, still hot, still glowing, still red as red.*
>
> William Manchester (1922–2004)
> American author
> from *Goodbye, Darkness: A Memoir of the Pacific War*

> *God gave us memory so that we might have red roses in December.*
>
> Sir James Matthew Barrie (1860–1937)
> Scottish dramatist and novelist
> from his *Rector's Address*
> St. Andrew's University,
> Edinburgh, Scotland, May 3, 1922

How apt these two quotations are to my introduction to this year's Red Book celebrating the 103rd year of the Empire Club of Canada. This book will be the red embers and roses of our memories of our 2005–2006 year.

As is customary, our speakers spoke on a wide variety of topics and were drawn from a diversity of backgrounds and disciplines. They ranged from politicians (two prime ministers and a premier); a governor-general; two ambassadors and a number of business, aboriginal and cultural leaders. The Empire Club had two significant firsts this year: our first luncheon involving Canada's Islamic community and our first luncheon celebrating the top 20 Canadians under 20 years of age—two entirely new constituencies for our club.

The club tradition of inviting speakers irrespective of their ability to draw a large audience was continued this year. Prime ministers, ministers of finance and bank presidents draw big crowds with great regularity. The Ted Barris's and Brian Crowley's of this world do not have a built-in constituency but their speeches were two of the more compelling events of my year, particularly Mr. Barris's speech celebrating the Year of the Veteran.

There were 42 luncheon meetings and one breakfast meeting of the Empire Club during our 2005–06 year, including 11 joint meetings with the Canadian Club. More than 10,000 people attended these events, an average of 250 people per event.

At our Annual Meeting, our members confirmed a new general by-law or Constitution for the Empire Club, a process that began over two years ago. The last revision was in 1972 and was sadly out of date. It contained no reference to the Empire Club's current membership categories, no rules respecting the calling of members' and directors' meetings and no recognition of Honorary Directors—to name a few of its shortcomings. These omissions and others have been dealt with in the new Constitution, which more closely parallels a standard organizational by-law for an Ontario non-share capital corporation which the Empire Club is. I must thank Heather Devine and Bill Whiteacre who assisted me in this endeavour.

Regretfully, three Past Presidents of the Empire Club passed away during this season. The wit and dedication of Major-General Bruce Legge (1958–59) and Mr. Justice Joseph Potts (1972–73) were experienced by most of us personally while Brigadier-General Stephen Andrunyk (1981–82) who wasn't active in recent years will be missed.

When the French statesman Abbe Emmanuel Joseph Sieyes was asked what he had done during the

French Revolution, he replied, “J’ai vecu—I survived.” No doubt most Presidents of the Empire Club at the end of their year—and certainly this one—can subscribe to this sentiment.

For me personally, it was a most interesting, rewarding and demanding year. I joined the Empire Club in the year of Nona MacDonald’s presidency so it took me almost 20 years to warm to the presidency.

I thank the Empire Club of Canada for the opportunity to serve as its 103rd President.

William G. Whittaker, President, 2005–2006

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September 14, 2005

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Her Excellency The Rt. Hon. Adrienne Clarkson

Governor-General of Canada

"WHAT I'VE SEEN"

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Maya Mavjee, Publisher, Doubleday Canada, and Director, The Canadian Club of Toronto; Brooke Daprato, Grade 12 Student, North Toronto Collegiate Institute; Anna Porter, Publisher and Writer; Archbishop Michael Peers, Anglican Church of Canada; Knowlton Nash, Broadcaster and Author; The Hon. Dr. Marie Bountrogianni, MPP, Minister of Intergovernmental Affairs and Minister for Democratic Renewal, Government of Ontario; His Excellency John Ralston Saul, CC; Philippe Delacroix, Consul General for France; Rev. Dr. John S. Niles, Rector, St. Andrews United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada; Julian Porter, Bencher, Law Society of Upper Canada; Dr. Victor Rabinovitch, President and CEO, Canadian Museum of Civilization Corporation; Brigid Murphy, Senior Vice-President, The Dominion of Canada General Insurance Company; The Honourable Henry N. R. Jackman, OC, KStJ, OOnt, CD, LLD, Honorary Chairman, The Empire Life Insurance Company, Honorary Chairman and Past President, The Empire Club of Canada, and Former Lieutenant-Governor of Ontario; and Rod

Phillips, President and CEO, Warren Shepell Consultants Corp. and President, The Canadian Club of Toronto.

Introduction by William Whittaker

Ladies and gentlemen, for the past 500 years the northern half of North America has been a monarchy whose representatives have been variously called Intendent, Governor and latterly Governor-General. Since 1952, our Governors-General have been citizens of Canada. Governor-General Clarkson is unique among them as she is the first naturalized Canadian Governor-General. Her Excellency is also, as she noted in her remarks welcoming Chinese President Hu Jintao to Canada last week, a Canadian of Chinese origin and a member of a community of over one million people who participate fully in the intellectual, economic and political life of Canada.

Your Excellency, our head table guests today are a reflection of your career—your time with the CBC, your term as Ontario Agent General in France, your years as a publisher and as a lay bencher of the Law Society of Upper Canada, together with your activities with the Museum of Civilization. Indeed, many of us feel we know you personally from watching such CBC programs over the years as "Adrienne Clarkson Presents," "Adrienne Clarkson's Summer Festival," "The Fifth Estate" and "Take Thirty."

As Torontonians, we are glad that you and Mr. Saul are returning to our city to continue your two very active lives. We note you have elected to live in the inner city in a residence previously owned by one of our past presidents and that you will now partake of that great Toronto institution—a shared driveway with your next-door neighbour!

Your Excellency, when you were installed as Canada's 26th Governor-General in October 1999, you quoted the following phrase from Samuel de Champlain's journal: "As for me, I labour to prepare a way for those willing to follow." And you concluded your acceptance speech with the statement: "...and in the footsteps of Samuel de Champlain, I am willing to follow."

And follow you did—in ways which have demonstrated the evolution and affirmation of Canada.

Ladies and gentlemen, please join me in welcoming the Governor-General of Canada, Her Excellency the Right Honourable Adrienne Clarkson.

Adrienne Clarkson

I am grateful to the Empire and Canadian clubs, among other things, for this head table. Its members reflect many stages of my professional career and I am extremely touched to see all of them. All those stages were important to my life and to my becoming governor-general in 1999. We have estimated that I have rolled to my feet to speak about 130 times a year. It is always a pleasure because it means I have direct contact with people, and the chance that a real human connection can be made.

I'm very happy to be here among the combined memberships of the Empire and Canadian clubs. Both have been part of the foundation of Canada, the Canada we are building still. I am delighted to join the company of eminent Canadian and international leaders who have spoken to your two organizations, especially since, together with my speech next week at an Armed Forces tribute parade, it is my chance to give a major address on what I've seen during my mandate. I thank you for that.

I won't wait until the end of my speech to spring my surprise, since you've likely read or heard about it by now. I will be offering "The Clarkson Cup" for women's hockey. The cup has evolved in the most wonderful and meaningful way since February, when I suggested giving the Stanley Cup to a women's team, if no men were going to get it! It seemed to me perfectly logical. Lord Stanley hadn't thought of women, although he might have. We have a wonderful picture of Isabelle, his daughter, playing a pretty mean game on the skating rink at Rideau Hall, which since 1878 has been the oldest outdoor skating rink in continual use in the world.

The cup will be a personal gift from me. I'm going to have it done in silver by Inuit artists at Arctic College. Their work is getting scooped up by people south of the border, but I would love to see more of this Inuit silver remain here, along with the carvings and the prints that we know so well. When the silver Clarkson Cup is out there, I'm happy to think that the explosive growth and the excellence of Canadian women's hockey will be befittingly recognized. It's a little like Kinsella wrote about baseball: "If you build it, they will come."

When I was asked last June to title the speech, I was at a bit of a loss. But then I thought, "Well, I'll just say what I've seen." It has been a fun reason to reflect, and it's something that maybe you might not hear otherwise. Being governor-general has given me a unique perspective. I promised, in my installation speech, that I would visit Canadians in every part of the country by every means of transport, including kayak. Six years later, I am overjoyed to say that we have been able to do just that. I used to feel that I knew Canada pretty well because of my work for the CBC, going from coast to coast and dealing with people's lives and problems, and not what one TV executive called "happy problems."

Now, I have experienced a marvellous new view. John Ralston Saul and I have visited over 300 communities during my mandate, attending hundreds of separate events and travelling well over 100,000 kilometres each year. We all know that we live in a big country, but not many have the privilege of seeing firsthand, as we have, how enormous and various Canada really is. To link it up in our minds, to have it feel like a real and united place, we must find ways to interact and to understand each other. This is why we're so good at transportation, one of our essential links. We became highly skilled in all aspects of communication because of our huge land mass. As a small country, in terms of population, we have found ways to understand distant people and foreign lands.

My great predecessor Vincent Massey, the first Canadian governor-general, said that the role of governor-general was constitutionally conceived but must be lived culturally. I have tried my best to fill that framework as well as he did. As far as the constitutional part, a minority government does have a wonderfully clarifying effect on the mind, not only of the governor-general but of the whole population! Many countries, including most of the European ones, have minority governments as a matter of course—it's built into their systems—but we only have them every 25 years or so.

You might be interested and surprised to know that I am glad to have participated in one of those cycles. My constitutional role has lain in what are called "reserve powers": making sure that there is a prime minister and a government in place, exercising the right "to encourage, advise and warn," in Bagehot's clear formulation. Without revealing any secrets, I can tell you that I have done all three. And as for living it culturally, the autonomy of our system was established in 1947 when the Letters Patent were transferred to Canada from Britain, and it has been strengthened with each successive appointment of a Canadian as governor-general. We are a constitutional monarchy, but we have evolved a distinctly Canadian one.

There's no way to truly know our country without travelling it widely. Many Canadians go south, of course, to avoid what I think of as one of our glories—our winter. And many people go to Australia or Europe to "find themselves." But why not refresh and find ourselves right here in this incredible landscape? Canada has an Arctic desert, an unparalleled range of mountains, three oceans and thousands upon thousands—perhaps millions—of lakes. Canadians should discover the rolling grasslands of southeastern Alberta that have never passed under the plough, and the salt lake in the middle of Saskatchewan—Lake Manitou—that is saltier even than the Dead Sea. They should see the tides in the Bay of Fundy, which nearly make visible the movements of the earth and the heavens. They should know Table Rock Mountain in Newfoundland, and the salmon run up New Brunswick's Saint Marguerite River. All this fantastically diverse geography belongs to each and every one of us.

This is what Canada has meant forever to its Aboriginal peoples and what has always attracted its many waves of immigrants. Of course, we offer political and religious freedoms, economic opportunities and useful civic structures. But at the most fundamental level, Canada offers land and water and sky. We have come to inhabit this land, not only through different patterns of population density, but also through our imaginations.

We have inherited a tradition from our Aboriginal peoples, who believed that their ancestors dreamed this land into existence. Those great travellers invited us to share the land with them, and they knew the territory of their wandering in ways we still strive to appreciate. They knew what one poet called "the leaping greenly spirits of trees/and a blue true dream of sky and…everything/which is natural which is infinite which is yes..." I believe that kind of knowing remains available to us, and can help all of us to face the same horizon, to tread the sharp stones and soft leaves of the same path.

The moments and the people that have moved me often occurred outside the grand ceremonies of our culture. As governor-general, it's wonderful to preside over these essential rituals, but the truth of this office has come to me through direct personal contacts and from watching other people engage in them. These are conversations built not on self-interest but on self-revelation. We have found the warmth of this human connection everywhere we have gone, but nowhere more movingly than in the North. This has been one of the greatest privileges for John Ralston Saul and me, two southerners who fell in love with the North in the early 1970s.

As we prepared to move into Rideau Hall, we were determined that we would visit as many of Canada's most remote communities as we could. We managed to get to 50 Northern settlements, and will continue to do more in private life. Some places, like Grise Fjord, drew us back several times. Grise is a fascinating place, the northern-most village in the world and it belongs to us. I will never forget its purple penumbra of sunset, its gigantic icebergs which you can walk to and chip bits off to make your tea.

In the elders' centre in Iqaluit, we played a sort of ring toss with round spinal bones that we aimed at sharpened ones. After the games, over tea and cookies, the elders presented each of us with a leather medallion on a string. Mine was numbered E201. These were the identification tags that the Canadian government gave to the Inuit, the number giving them access to certain services but also becoming their official identity. For this people, contact with whites came relatively late, and the upheaval of their way of life was catastrophic. To us, these leather tags summed up a whole period in the history of the Inuit people. Only now are we understanding the value and the accumulated wisdom in their traditional ways, and marvelling at their ability to sustain it for so long. Though they now live in houses and communities instead of roaming the land, their heritage is giving them strength in a very painful time of change.

Laplanders, whom we met in Finland, have certain similarities with the Inuit and have had very useful exchanges with them. All around the Arctic Ocean, the circumpolar nations share a shore and a horizon. We feel like those northerners. As Russia's President Putin said to me, this Arctic water and ice are merely a large and salty lake, and our countries are the neighbours that surround it. But while the white desert of Northern Canada is breathtakingly beautiful, it is astonishing how the Inuit have survived and thrived in this extreme environment. Alongside many other reasons, it should be precious to us simply because it is precious to them.

Now they deal with computers, video games and iceberg lettuce. Their society came very close to destruction, but they have pulled themselves away from the brink. Those problems that remain are not only theirs to face, but Canada's. They welcomed us into their circle, and now they are part of ours. This sharing is what Canada is all about. We will be in great danger as a country if we forget our origins as sharers. Exploring Europeans would have been lost without the generosity of the Aboriginal peoples: their knowledge of a seemingly intractable wilderness, their techniques for survival and transportation. The enormous land over which they roamed and hunted belonged to all, and its bounty could sustain everyone.

Canada's bounty still can. When I meet with immigrants and refugees, what is most stunningly clear is an instinctive sense of the humanity of the other. This history of sharing is a subconscious thing but it comes to the surface. We see it in the adaptation—often tentative, understandably anxious—of their ways and lives to the reality of Canada, and in the welcome given by Canadians who may have arrived five years or five generations earlier. New arrivals, if our hearts are open, prompt the same warm impulse as when long-lost relatives come to our door.

I return again and again to the words of Margaret Laurence, who felt there was "no wisdom except the passionate plea of caring.... Try to feel," she said, "in your heart's core, the reality of others. This is the most painful thing in the world, probably, and the most necessary." In Canada, we do this by welcoming a quarter of a million people every year, intending that they will become citizens who will share our land, our customs, our prosperity, and our history. They will share the country that we are still dreaming into existence.

A group of landed immigrants and new citizens in Red Deer told me that they wouldn't want to be anywhere but there. In a small city like that, they felt that they could get to know their fellow citizens. They felt that even if somebody made a nasty remark about them, the close ties of the town would lead someone else to say, "Come on, cut it out. My kid goes to school with his. He's a good guy."

Whether they were from Croatia, Sudan, Somalia, the Philippines, or Iran, they were all going to be part of Red Deer. And the people helping them, originally a church group in that city and in Lacombe, were determined to make them and their families feel at home.

We began two years ago to link citizenship ceremonies to our Caring Canadian Award presentations. Putting those two groups together and holding roundtable discussions with them allows new citizens to meet people who have spent 20, 30, even 50 years giving to others without asking anything in return. It has been magical, a direct way of dealing with the gap between new Canadians and the mainstream of public life. We want everybody in this country to be able to swim in that stream. This is what our country has been able to do, but we mustn't be careless about it. We have opened the door to people and communities who have been rejected or persecuted in other places, but let's always remember that we don't have some magic immunity to this sickness. Let me give you one of my favourite examples.

Baildon is a Hutterite community near Moose Jaw that I have visited twice. I love their a cappella singing, their chicken soup with dumplings and their home-cured hams. Every kind of social organization is fascinating and this communal one is particularly so. Up to 120 people are supported on a 10,000-acre tract of land, and when they grow beyond this number, they start a new colony. It was deeply poignant to sit in their chapel and hear the 15th-century German dialect still spoken by these once-persecuted followers of Jacob Hutter. They wear plain and dark clothing. They chat and they read one sermon a day from Hutter's writings. I asked the elder with whom I was sitting whether they paid taxes. He grinned from ear to ear and said, "Yes, we do." Asked why he seemed so happy about it, he said, "Because when we pay our taxes, we know that we've been successful, that we've made a lot of money."

They are highly successful farmers using the most modern equipment. Every child above the age of six works on the farm as well as going to school in the nearby village. That way of life is not appreciated by some, because it so strongly emphasizes the collective, the common good of all, rather than exalting the individual as our society tends to do. But the feeling of being among them stays with me; when we left, everybody gathered to wave goodbye, with pink balloons they had bought especially for the contrast with their clothing, and with several two-quart jars of the best dill pickles on earth!

The Hutterites also remind us of our agricultural foundations. Though most of us live in cities now, we must remember the importance of farming to our history and to a proper contemporary understanding. The city of Ottawa has preserved, just south of the city's downtown, a large greenbelt containing the Central Experimental Farm. A century and more ago, strains of wheat were developed there that enabled our wide plains to feed not only Canadians but the world, and to accommodate Ukrainian, Russian and other settlers who opened and developed the West.

At a reception I had for the Museum Directors of Canada, I met a woman who worked at the Moose Jaw Art Gallery. When I told her we were coming to Moose Jaw, she had an invitation for me, and not to the gallery, which she knew I would visit anyway. "Why don't you come out to our farm?" Run by her husband and his three brothers, the farm has 10,000 acres and $2 million worth of equipment. They had ploughed everything into chickpeas that year. We went at harvest time and rode on their combines. They held a potluck supper for us in the barn, and 100 neighbours came.

This spring, we were back in Moose Jaw. (And as an aside, did you know that Moose Jaw has superb hot springs and spas?) We invited the families to join us for lunch. We found out that those chickpeas are still being stored because the prices had plummeted. They can no longer live on their family farm. The wives all work in town, and the men commute to the farm to run this huge and risky agricultural business. We talked about how difficult it is to be a farmer today, which unfortunately was not news to me. The year before, we had had a round-table discussion with a 4-H club, 16-year-olds in and around Biggar, Saskatchewan. There were 15 of them, and 14 saw no future in agriculture. They said that they would not take over their family's farm, with its million-dollar debts and the sacrifices, which they saw their parents making every day. They all expected that their future lay in Alberta, probably Calgary.

In the Saguenay-Lac-St-Jean region, the equivalent of one busload of young people leaves every week to look for work in Montreal. There is no more pulp and paper, so how will communities survive? This is a dilemma shared by young people who can no longer fish off Newfoundland, or work in coal or steel on Cape Breton, or farm in Ontario. Though much is made of the hard times here or the boom times there, there is no question that people love their own region, and would prefer to live in it if only they could make a living there.

Everywhere in Canada, I have seen the fierce affection that people have for their own part of the country. More than anything, people just want others to understand and respect this love of place, and perhaps even share it a bit. That's what a family does. Because, I must tell you, not all of human life happens in Toronto!

Here's another curious thing I've seen, or rather heard. We still speak of Canada as a "young country." Our potential is enormous and exciting, yes, but we're not an immature society. We are a country, which has been inhabited for aeons by Aboriginal peoples, and for centuries by European "newcomers." We know about John Cabot, Jacques Cartier and Samuel de Champlain, but do you know that there are Moravian settlements dating back 250 years on the Labrador coast? In places like Hopedale, huge clapboard buildings have an elegance and charm, which must be seen to be understood. They enclose ancient Bibles written in fading ink on parchment. Further south at Red Bay, the Basques came in the 15th century to hunt whale. They had a settlement where they rendered the whale oil, and then sent it back in the bowels of the ships, which had brought the red tiles for their roofs—hence the name Red Bay. Traces of those tiles are still there on the beach, and they remind us that the Canadian experiment is far from new.

Our heritage is deep and important, perhaps especially to communities whose history has been ignored or suppressed. Blacks in Nova Scotia are rallying around the Black History Society, which records the arrival of 3,000 of them as United Empire Loyalists right after the American Revolution. They had their freedom and they were promised 100 acres of land, which turned out to be rather less fertile and well located than the plots given to white Loyalists. Nevertheless, they stayed and flourished and made Nova Scotia their home.

The president of Shelburne's Black History Society showed me proudly the pictures of himself and his brothers, all of whom enlisted and went overseas with our Armed Forces in 1939. They served six years, and took part in the brutal but victorious campaigns in Italy and Holland. When they got back to Canada, they went back to Africville, where they had lived and grown up. They came into Halifax, dressed in their new suits. They were feeling pretty good, and went to the coffee shop on the main street. They were busily talking to each other and they realized that nobody had come to serve them. These heroic Canadian veterans asked the waitress for coffee, and were told, "We don't serve people like you."

Our deep Canadian history, as we all know, has its shadows. We must remember it, not in order to dwell on suffering or wrack ourselves with guilt, but simply because the very act of remembering is in itself a very good thing. We are responsible for all our history, the times when Canadians have treated others badly as well as all the countless ways, large and small, that our people have behaved with the greatest humanity and compassion.

Memory, especially of the characteristic decency that fills our cities and towns and countryside, strengthens the young men and women of the Canadian Forces who are overseas trying to make peace. Every year, over the Christmas holidays, John and I have been to visit our troops—in Kosovo, Bosnia, the Arabian Gulf, and twice to Kabul in Afghanistan. Each time, we are struck by how terrific our soldiers are, how calm and ordered and civic-minded they are.

They start Boy Scout troops and soccer teams. They mingle with the population in a direct way, looking them in the eye and treating them like human beings. In the midst of often-dangerous work and the possibility of pitched battle, they maintain this demeanour of decency. It is the way we do it, and you would be proud of these young people. We have seen them up close in their camps, where we stay with them and help to serve them holiday meals. There is music and dancing and even a little champagne on New Year's. John went out for night patrol on foot with a platoon of soldiers during the last two New Year's Eves while I, I must confess, sang and danced. It was all very sweet and good. We are there to share whatever feeling of warmth we can bring to service men and women who are far from their homes. Each time, we come away encouraged by the sight of Canada working for the common good on a global scale.

In those faces, but also in the faces of families grieving those lost in battle, I have seen that we are doing the right things. In Ramstein, Germany, we met the plane bringing back the four young men killed under "friendly fire." The peace we are helping to make in the world has its cost, and we are paying it, just as we paid it in two World Wars and in the Korean conflict. I wish I could say that we will no longer have to bear that cost, but I can't.

Ladies and gentlemen, these are a few of the things I have seen. All of these intriguing circumstances, all of these Canadians and their stories, are linked together, and I don't mean because I have been part of them. To bring together and honour and represent Canadians has been my privilege over the past six years. I have seen how mightily important it is to incorporate our vision of the North with our perspective on Canada and what it can do and be. I believe all the more strongly in the significance of our history and the hopeful spirit in which we are building upon it. I know how critical it is for all of us to exchange friendliness and support from one community to the next, from all parts of the country to all the others. I have seen how important it is to create leadership, and I am pleased to see here today some of the 450 young leaders with whom I've worked at the Governor-General's Leadership Conferences in 2000 and 2005.

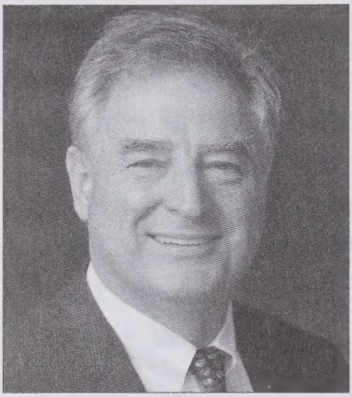
I am convinced that any country that cannot do these things is not really much of a country, and I firmly reject that possibility. I have always loved Canada, and all that I have seen in these six years has only reinforced my feelings and strengthened my hopes.

I don't think Saint Augustine ever made it to Canada—even in a vision—but one of his statements makes it sound as if he did. Of course, we must travel and see this country, which is overflowing with wonders, but Saint Augustine has one caution for us. He wrote, "People travel to wonder at the height of mountains, at the huge waves of the sea, at the long courses of rivers, at the vast compass of the ocean, at the circular motion of the stars; and they pass by themselves without wondering." My fellow Canadians, do not ever forget how wonderful we all are.

Thank you.

The appreciation of the meeting was expressed by Rod Phillips, President and CEO, Warren Shepell Consultants Corp., and President, The Canadian Club of Toronto.

Knowlton Nash, Broadcaster and Author, Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada, and Her Excellency The Rt. Hon. Adrienne Clarkson, CC, CMM, CD, Governor-General of Canada, and Honorary President, The Empire Club of Canada.



September 21, 2005

The Hon. David L. Emerson

Minister of Industry

BUILDING A POWERFUL ECONOMY THROUGH INNOVATION

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Jo-Ann McArthur, President, Molson Sports and Entertainment, and Director, The Empire Club of Canada; Esther Rosenthal, Grade 12 Student, North Toronto Collegiate Institute; Grant Kerr, Pastoral Staff, St. Paul's United Church, Brampton; John C. Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada; Beverly Topping, President and CEO, The Institute of Corporate Directors (ICD) and The ICD Corporate Governance College; Professor Daniel Trefler, J. Douglas and Ruth Grant Canada Research Chair in Competitiveness and Prosperity, Joseph L. Rotman School of Management, University of Toronto; Lisa Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Michael Grimaldi, Vice-President, General Motors, and President and General Manager, General Motors of Canada Limited; Dominic D'Alessandro, President and CEO, Manulife Financial; and Kenneth W. Smith, Managing Partner and Head, Canadian Corporate Practice, SECOR.

Introduction by William Whittaker

Minister Emerson is the first speaker in our luncheon series entitled "Canadian Industry in a Global Economy" which will discuss the challenges Canadian business faces today in a rapidly changing world. The sponsor of this series is Secor Consulting/Secor Conseil, the largest independent strategy-consulting firm in Canada, which is celebrating its 30th anniversary this year.

Mr. Emerson will address us today on some of the generic issues facing Canadian business and what the federal government and Industry Canada is doing to resolve them. Future speakers such as Michael Sabia of BCE Inc. and Scott Hand of Inco Ltd. will speak on the challenges facing their particular businesses and industries.

Given the launch of our series today, I wanted my introductory remarks to be inciteful and relevant. However, when I googled some of the key words in our notice respecting Mr. Emerson's speech for insight—words such as competition, innovation, technology and research and development—the files were in the hundreds of millions. When I Canadianized my search, the files were still in the millions. So much for the Internet.

However, watching my two-year-old granddaughter interact with her playmates and mother, it appears that competition and innovation are two traits acquired or learned at an early age!

Although Canada is rich in natural resources, which has given us an historic comparative advantage, our nation is a vast land with widely separated population clusters and, subject to the economic influence of the United States, one would think a difficult nation to develop an industrial policy for. However, Michael Porter, in his seminal book, "The Comparative Advantage of Nations," shows how the traditional comparative advantages of a nation such as natural resources and pools of labour have been superceded as sources of prosperity by clusters or groups of interconnected firms, suppliers, related industries and institutions that arise in particular locations, citing, among other examples, Switzerland with its small population and lack of natural resources. The Ontario auto industry is an excellent example of Porter's cluster concept.

Canada is an expensive country to govern and our social policies are a key component of who we are. However, I can't resist mentioning the just-released C.D. Howe Institute Report on corporate taxation in Canada, which notes that Canada has the second-highest tax rates in 2005 on capital for large and medium-sized corporations among 36 industrialized nations. While we can't expect Minister Emerson to comment today on this report, as he is not yet the Minister of Finance, no doubt other speakers in our series will.

The market constantly introduces change and no business, as the speakers in our series will indicate, can rest on its laurels. Indeed, the only constant today is change. To see the effects of change firsthand, one has only to look at the current Fortune 500 List of Companies which contains only a few of the companies on the list 20 years ago.

David Emerson is well-qualified to speak to us today on contemporary challenges to Canadian business from a public-policy viewpoint as his career to date has been a mixture of private and public-sector experience.

Educated as an economist at the University of Alberta, he received his PhD in Economics from Queen's University in 1972, following which he worked for the Economic Council of Canada. In 1975, Mr. Emerson joined the B.C. public service, becoming Deputy Minister of Finance in 1984.

In 1986, he became President and CEO of the Western and Pacific Bank of Canada, now the Western Canadian Bank. He returned to the B.C. civil service in 1990 becoming Deputy Minister to the Premier and then President of the B.C. Trade Development Corporation.

Mr. Emerson was appointed to head the newly created Vancouver International Airport Authority in 1992 and in 1998 became President and CEO of Canfor Corporation, British Columbia's largest forestry company, leading it through one of the forest industry's most difficult periods.

On June 28, 2004, Mr. Emerson was elected Member of Parliament for Vancouver Kingsway and was appointed Minister of Industry shortly thereafter.

Mr. Emerson.

David Emerson

Thank you very much for that kind welcome. It is great to be back in Toronto—the historic epicentre of Canadian wealth creation.

I don't know how many investor road shows I did in Toronto, but I do know that every time I came, my arguments and financial assessments were skeptically discounted by 50 per cent. Now that I am a politician, I have to learn what it's like to have my arguments, claims and promises discounted 100 per cent.

When I agreed to enter public life, I felt great trepidation that I was entering a swampy quagmire in which attempts at energetic change would simply get me deeper in the mire and perhaps fatally so. I think I was right!

But I'm in up to my neck and I'm going to carry on until the swamp swallows me whole.

You might say: "What's your problem? Things in Canada have never been better."

After all, consider the impressive economic and fiscal performance that we Canadians have enjoyed for the past decade:

- Fourteen years of uninterrupted economic growth;
- Growth in employment and living standards that leads the G-7; and
- A debt burden that is the lowest among the G-7 nations, and continues to decline.

The problem is the world has changed. Today's and yesterday's success is no guarantee of tomorrow's success.

What do you mean by that, Dr. Doom? Well, I have a number of concerns.

I worry that the strong commodity markets, which have contributed to our excellent performance, will weaken; they always do.

I worry about the twin U.S. deficits, and the potential economic fallout for the world economy. U.S. interest rates are creeping up and protectionism is growing ever-deeper roots. Think of beef and softwood lumber.

I worry that we are not as prepared as we should be to deal with the opportunities and threats presented by emerging powerhouses such as China and India.

I worry about our aging demographics, and the limited potential for growth in our work force.

I also worry—we all need to worry—about the effects of climate change. Canada is a northern country and we are already seeing serious symptoms—warming waters, thinning permafrost, disappearing icebergs, receding glaciers, declining salmon runs and unprecedented scourges like the mountain pine beetle in B.C.

Today, these are clouds on the horizon. But Katrina should remind us that today's clouds can be tomorrow's disaster.

We need to be ready and being ready means being able to withstand the inevitable shocks and pressures coming at us with greater frequency and potentially greater severity.

Canada is a small trading economy. We are the most trade-dependent country in the G-7. Our standard of living and our quality of life are shaped by our ability to thrive and compete in an increasingly competitive global economy.

If we can't compete, we are vulnerable; vulnerable economically and socially. Harsh but true: health care, pensions, the environment, education and childcare all require a powerful economic engine to carry the freight.

And let's be clear: the investment and employment opportunities that future generations of young Canadians are counting on are on the line. Other countries want them and are competing for them with growing intensity.

It's how well we anticipate threats and opportunities and it's the proactive actions we take today that will determine whether our children will have the opportunities and the quality of life that we have enjoyed. If we falter, the spoils go to the kids growing up in India, China and the United States, among others.

So, where do we go from here?

Where not to go:

- Low wage/poor working conditions—it's not a race to the bottom.
- Economy at the expense of environmental degradation.

To me there is only one way to go. We have to build an environmentally sustainable economic engine with extraordinary power. That power must be derived from a deeply embedded capacity for innovation and use of technology. We need to drive science, technology and innovation deep into every corner of every region and every sector—manufacturing, natural resources, services, both public and private.

That is my obsession as Industry Minister, and I want it to emerge as an obsession of the Government of Canada.

"Innovation" means finding smarter, better, more creative ways of doing things. Innovation also means seeking out the best ideas, the best technologies and the best practices from around the world. And it means embedding them into our businesses, into government and into our homes.

Productivity is not really about doing harder and faster what we've always done. It's about creating value in new and innovative ways and being able to do it on a sustainable basis.

As a good Canadian, I would say this. If we could make "innovation" as closely identified with Canada as "medicare," we would have the world's most powerful economy.

Doing it won't be easy! It will require focused engagement by millions of Canadians, each adapting knowledge and technology to their own unique circumstances.

There is no silver bullet that the government can fire and the problem is gone. But there is an array of actions that will empower Canadians to go where we have to go.

We know we have to provide people with the necessary tools, with a supportive working and living environment, and with the critical infrastructure of a successful modern economy.

We need to equip people with the knowledge and the skills required to tap into the global knowledge pool.

And, while Canada has one of the most educated work forces in the world, and we are making much progress in attracting world-class researchers, we fall short in critical areas.

We do not, for example, produce nearly as many postgraduates in mathematics, the sciences, engineering and business as does the U.S., and these skills will be essential to our future economic success.

We need to produce and educate more of our own math and science grads. And we need better, more efficient integration of trained and skilled immigrants into the economic mainstream of Canada.

The U.S., meanwhile, is increasingly threatened by the dramatic growth of the math/sciences/engineering talent pool in India and China. If they have a hill to climb, we have a mountain.

For the good of our future Canadian prosperity, we need to focus on this weakness and we need to fix it.

We also need to encourage entrepreneurs and equip people with the management skills, that will enable them to become innovators; innovators who consistently find new ways of turning knowledge into wealth.

We need to continue to grow our critical mass of Canadian research capacity; we need to be among the best at pushing the frontiers of scientific exploration.

Another challenge in spite of a variety of research and development incentives here in Canada is the R&D performance of private-sector companies, which is mediocre by international standards. Actually, it's beyond mediocre; it's terrible.

Recognizing this weakness, I appointed a six-member Expert Panel on Commercialization chaired by Joseph Rotman and including Mike Lazaridus. I asked them to take a critical look at the commercialization system here in Canada and come up with a robust strategy for becoming a nation of innovators, for improving the talent pool, for enhancing research capacity, for stimulating the investment environment and for the diffusion of technology throughout the economy.

The work of the panel is pressing and urgent, and I look forward to recommendations this fall. In the meantime we will press ahead.

Telecommunications and broadband technology are the most transformative technologies of our generation. It is the infrastructure that connects us with the global information economy. Canadians without high-speed access to the Internet will be increasingly out of the game in terms of economic opportunities, education and even health care.

We must also ensure that the physical infrastructure of our cities is of the highest standard. In today's global economy, our urban centres must compete with cities and communities around the world; compete for skilled people and for investment dollars—they go together.

The family of organizations associated with Industry Canada also has a lot of work to do.

Industry Canada and the government's research organizations and granting agencies have invested some $13 billion into research at post-secondary educational institutions since 1997. We've attracted and retained world-class researchers, supported graduate students and provided essential research infrastructure.

We set out to make Canada a research leader, and in the area of research at institutions of higher education, we are now a world leader. The challenge is to build on this success. We cannot lose momentum, and we have to continually improve our approaches and priorities.

Let's go back to information and communications technologies. Here in Canada and in other countries, ICT-related investments are estimated to account for 75 per cent of recent productivity improvements. But evidence shows we're still falling short of the U.S.

Here we have appointed the Telecom Policy Review Panel to report by year-end on changes to the way the sector is regulated. We have to ensure our regulatory framework supports competition, supports technological transformation, and supports global competitiveness.

Industry Canada is also developing a sector strategy for ICTs, which aims to strengthen competitive position of our ICT companies. More importantly, it will encourage the broader adoption and diffusion of this general-purpose technology throughout the economy.

We've also been a leader in supporting and providing the electronic infrastructure that connects Canadians to the global information economy.

We've extended broadband to hundreds of communities and we've supported super broadband connectivity among schools, universities and research organizations in Canada and internationally.

Unfortunately, our high international ranking has begun to slip.

I cannot say this enough. It is absolutely essential that broadband access be extended further into remote and isolated communities. Without Internet access today, people and communities are simply not in the game. They're not able to join the economic mainstream, or even to fully access opportunities for health care and education. We need to finish the job, here in Ontario and across the country.

Beyond ICT, a number of other sector strategies are underway: aerospace and defence, the automotive sector, the forestry sector, the hydrogen fuel technology cluster, biotechnology and shipbuilding and repair. Some sectors—nanotechnology, ICT, environmental technologies—have applications across the economy. Our goal is to ensure that competitive strengths in these areas provide cascading competitive benefits across the economy.

Our fundamental goal is not about picking winners and propping them up. Our goal is to help industry identify where and how they can be globally competitive, and clear the path for them to get there over the next five to 10 years.

In at least two sectors, automotive and steel, we are extending our competitive/strategic thinking to all of North America. In fact, under the trilateral security and prosperity partnership, Canada, the U.S. and Mexico are pursuing hundreds of concrete initiatives focused on improving our competitiveness, our collective security and our standard of living.

Finally, it is important to ensure the marketplace is competitive and efficient. Competition policy, bankruptcy rules, and patent and copyright laws are the shock absorbers of a vibrant, changing economy. Industry Canada is moving forward in all these areas.

Technology commercialization programs in Industry Canada also need some work. Technology Partnerships Canada was designed to share technology risk and encourage innovation by Canadian companies. It's had some great successes, but it's in need of an overhaul. I announced yesterday changes to create a more transparent, more accountable, more accessible, and more effective program for stimulating research and technology adoption.

Innovation always comes down to a very simple truth—it's one person deciding to make a difference, by doing things differently, by showing leadership. People like John Evans and the work he is doing to support research clusters in the Toronto area. People like Mike Lazaridus and his passion for advanced research in math and physics. These people are powerful agents of change in their communities and in Canada more generally.

We are a nation carved out of vast forests and forbidding mountain ranges. We are a nation that owes its very existence to people going against the flow, people taking the path less travelled.

It took courage and innovation to build the railways and highways that bind us together. Modern pioneers are still at it, laying a telecommunications network over millions of square kilometres.

Every generation of Canadians has embraced the challenge of blazing trails through adversity and uncertainty.

We're rich in people and rich in natural resources. We have the potential to be an economy driven by the power of innovation.

There is no escape from dramatic new sources and forms of competition, no escape from adversity and uncertainty.

Competition won't destroy us; it will make us stronger. It will force us to create wealth in new and creative ways.

We can invest in our people. We can provide critical tools for success. We can foster a culture of discovery, of research, of creativity and of adaptability.

Now is the time to build a powerful economy driven by a deeply embedded capacity for innovation.

We can do it here in Toronto and in Ontario, and we can do it across Canada.

Let's get focused and get the job done.

Thank you.

The appreciation of the meeting was expressed by Lisa Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada.

The Hon. David L. Emerson, MP, Minister of Industry, and Allan Fotheringham, Author and Columnist.

September 22, 2005

Murray Elston

President and CEO, Canadian Nuclear Association

AVAILABLE AFFORDABLE ELECTRICITY FROM NUCLEAR ENERGY

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Rev. Dr. John S. Niles, Rector, St. Andrew's United Church, Markham, and First Vice-President, The Empire Club of Canada; Andre Bodo, Grade 12 Student, North Toronto Collegiate Institute; Reverend Vic Reigel, Pastoral Staff, Christ Church, Brampton; Pierre Charlebois, Chief Nuclear Officer, Ontario Power Generation; Richard E. Reimels, President, Babcock & Wilcox Canada; Kevin Routledge, President and COO, Nuclear Safety Solutions Limited; Pat Mills, Career Partners, Hazell & Associates, and Director, The Empire Club of Canada; Don MacKinnon, President, Power Workers' Union; The Hon. Barbara McDougall, Advisor, Aird & Berlis, and Former Cabinet Minister; James F. Hankinson, President and CEO, Ontario Power Generation; and David J. McFadden, QC, Partner, Gowling LaFleur Henderson LLP.

Introduction by William Whittaker

Lemeul Gulliver's adventures in Lilliput begin when he wakes up after his shipwreck to find himself bound by innumerable tiny threads and under the intense scrutiny of tiny captors who are in awe of him but fiercely protective of their kingdom. They are not afraid to use violence against Gulliver but he eventually gains their confidence and becomes a natural resource used by the Lilliputian army in their war against Blefuscu, whom the Lilliputians hate for doctrinal differences over the proper way to crack eggs. But things change when Gulliver is convicted of treason over a fire in the royal palace. However, he is pardoned and returns to England.

On a subsequent journey, Gulliver ends up in Laputa, a floating island inhabited by theoreticians and academics, who Gulliver soon discovered were an odd lot. Their thoughts were so taken up with intense speculation that they could neither speak nor hear the words of others, unless explicitly aroused. Apparently, only music and mathematics excited their unworldly concentration. But music and mathematics had their negative effects. Instead of a blissful reverie about the perfection of a circle or the infinitude of a pi, the Laputans were frightened. Their mathematical calculations taught them that the earth very narrowly escaped a brush from the tail of the last comet and that the next would probably destroy them. The Laputans lived in fear. When they met acquaintances, the first question they asked was what hopes did they have to avoid the stroke of the approaching comet.

How apt an analogy is Gulliver and his travels to the nuclear industry and its critics today. Gulliver, the giant nuclear industry, striking terror into the hearts of the little people—the Lilliputians—who respond with fear and violence, only to learn that Gulliver can be a valuable natural resource to them. And Gulliver, as the realistic nuclear industry, interested in rational debate and practical solutions, pitted against critics, unable to engage in logical debate because of their doom and gloom forecasts and fears.

Mr. Elston will address us today on why nuclear power should be part of the continuing debate concerning the future of electricity generation in Ontario and Canada.

Murray Elston became President of Canada's Research-Based Pharmaceutical Companies in November 1998. He was President of the Ontario Interlink Industrial Park from 1994 to 1998.

From 1981 to 1994, Mr. Elston was a member of the Ontario legislature and held a number of portfolios in the Peterson government including Minister of Health, Chairman of the Management Board, Minister of Financial Institutions and Chair of the Public Accounts Committee.

Mr. Elston is a graduate of the University of Western Ontario and holds bachelors' degrees in arts and in law. Prior to his election to the Ontario legislature, he practised law in Bruce County, Ontario.

Mr. Elston.

Murray Elston

My appearance here today before members of the Empire Club represents a kind of homecoming for the nuclear community.

It was 50 years ago that David Keys, then the scientific advisor to the president of Atomic Energy of Canada, spoke to the Empire Club about "The Peace-time Applications of Atomic Energy."

His thoughts about energy back in 1955 foreshadow remarkably the situation this country and this province find themselves in now. Mr. Keys talked about nuclear's role in making steam to produce electricity and power.

The fission of a pound of nuclear fuel, he told club members, releases as much heat as obtained from burning 2.7 million pounds of coal or 30 million cubic feet of natural gas. This is still true today.

He went on to say, "Ontario has already used practically all the available resources of hydro-electric developments.... Other sources will be required—hence, the interest in producing nuclear energy plants that will be competitive with coal."

Mr. Keys was speaking at the dawn of nuclear science. But he realized the importance of affordable electricity as an essential good in a society. He knew that access to reliable and low-cost electricity powers the way for a society to become prosperous and to be able to compete effectively in the world.

Mr. Keys' words were truly prophetic. Today, nuclear energy has become the energy mainstay for Ontario.

Last year, nuclear reactors supplied just over 50 per cent of electricity demands in the province. Hydraulic generation provided just under one-quarter of the power consumed and coal came in at 17.5 per cent. Natural gas plants generated 6.5 per cent of power needs in Ontario.

But the piece of the electricity pie supplied by coal will disappear as Ontario phases out its coal-fired power plants. The closure of the last coal station slated for 2009 will take about 7,500 megawatts of generation offline. That's almost 30 per cent of peak consumption levels reached this past winter and summer in Ontario.

Even before the phaseout of coal stations, Canada's most industrialized province finds itself in a dire situation. Its electricity infrastructure is increasingly taxed by demand, aging, and in need of refurbishment. Ontario must rebuild and replace 80 per cent of its power capacity over the next 15 to 20 years.

And if we are to accommodate the reshaping of Ontario's electricity system by upgrading existing generation and promoting the addition of new generating capacity, including new nuclear plants, appropriate attention needs to be given to our transmission infrastructure as well.

The electricity system deficit looms as a potential barrier to future economic growth in Ontario. Perrin Beatty, the President of Canadian Manufacturers and Exporters, warned last week that billions of dollars in industrial investment could go to other jurisdictions where power supply is more reliable.

Mr. Beatty said in a speech: "The cost and the supply of energy is quickly turning into a competitive disadvantage that threatens future prosperity and undermines Ontario's attractiveness as a location to invest, to build and to employ...." Some companies have said recently they will have to leave because high electricity costs make it difficult to compete in their markets.

The Independent Electricity System Operator (IESO) reported in its most recent 10-year outlook: "Aging generation facilities and the continued increase in demand for electricity add to the urgency of proceeding with new generating and transmission facilities over the next 10 years." The warning is clear: Ontario needs new electricity infrastructure generation capacity within the decade even if aggressive conservation targets are successful.

The province—once a net exporter of electricity—has been forced time and again to buy expensive imported power. This year, icy winter days and hothouse summer weather severely tested the electricity system in Ontario.

Yet, our large generators performed extremely well. Ontario Power Generation and Bruce Power kept the lights on and the economy moving.

As a verification of how difficult the situation was, many businesses and homes experienced repeated voltage reductions, or brownouts, as demand for more power overwhelmed the overstretched system. Consumers were told to cut down on their use of electricity. This inability to cope at peak demand times, the need for costly imports, and high fossil fuel prices have combined to paint a threatening picture of an Ontario without adequate supplies of electricity.

The IESO's report refers starkly to the potential for brownouts and, in some cases, rotating power outages as demand continues to grow.

In fact, consumption has risen by an average of 1.7 per cent annually since 1991. That increase has come despite conservation initiatives and demand-side reductions.

In Ontario, the annual growth in power demand has mirrored the increase in the size of the economy and population. Now edging close to 13 million, the population has risen more than 16 per cent in the past decade and a half.

The same need for new capacity exists in other provinces. The Canadian Electricity Association estimates it will take $150 billion over the next two decades to upgrade supply and transmission infrastructure across the country.

Merely extending the life of existing generating stations is no longer good enough.

The picture for Ontario will brighten next month when Pickering A, reactor 1, returns online, adding 515 megawatts of electricity to the grid. A further 1,500 MW will be generated when units 1 and 2 at Bruce Power A station are refurbished. These additions will help.

But refurbished nuclear power and new supply from other sources will still not meet our needs over the next 10 to 20 years.

Ontario Power Generation has announced that two reactors at the Pickering A station will not be returning to operation. OPG does not believe that refurbishing reactors 2 and 3—offline since 1997—can be economically justified. The announcement underscores the crucial need for low-cost power, produced at high-capacity factors.

Those are the key parameters as Ontario considers how it will source tomorrow's electricity supply. There are several choices. Natural gas plants are large-scale generators and can go up relatively quickly. But average natural gas prices have increased more than five times from their low of about US$2 a decade ago. Natural gas prices have risen more than 60 per cent this year alone. This volatility does not make for predictable and affordable electricity.

In North America, some gas-fired plants have been shuttered. The gas plants in Ontario are not running to capacity because the cost of natural gas exceeds the market price of electricity. EPCOR has said it will close a gas plant in Alberta for this reason.

Reliance on natural gas-fired capacity also strains the supply of available proven reserves. And natural gas, while burning cleaner than coal, creates greenhouse gas emissions that have been linked to climate changes around the world. With no local supply of natural gas, Ontario must compete with other users of gas internationally.

Ontario is looking to renewable sources, such as solar power and wind turbines, to add to overall capacity. Both options are Kyoto-friendly since they don't produce greenhouse gas emissions but are closer to the top end of the cost curve than nuclear, hydro, coal and natural gas.

Wind turbines have a performance capacity of about 20 per cent. They do not generate power consistently enough so that wind energy can compete in price with other major suppliers. Wind turbines must be backed up by so-called shadow power plants—coal or hydro or nuclear stations that are available when the wind is not blowing.

Denmark is a world leader in wind power. But even Denmark supplies only about 20 per cent of its electricity needs from renewable sources, including wind. And the Danes have found they must go offshore to improve production from wind.

This limited capacity factor means wind turbines cannot function as around-the-clock baseload generators. If you were to build a wind farm to try to match the power output of a 1,000-megawatt nuclear plant, the wind farm would cover about 150,000 acres or 34 times the footprint of Toronto's airport.

Large hydro dams, like nuclear reactors, provide affordable and emissions-free baseload power. But all the large hydro sites in Ontario have been developed. Potential multi-billion-dollar hydro projects in Manitoba and Quebec, that would provide new power to Ontario, remain well out on the horizon and would require very costly transmission corridor upgrades. The province is absolutely right to be cautious. We must look carefully before agreeing to purchase very costly small amounts of electricity from distant neighbors.

Nuclear plants in Canada and the United States have achieved very competitive operating-cost records as around-the-clock producers. Over the past several years, nuclear stations, including those in Ontario, have improved their system performance and operating efficiencies tremendously.

Reactors provide electricity at anywhere between two to six cents a kilowatt-hour, depending on a number of factors that vary with each station and operator, and with each local market situation. In the United States, for example, the price of nuclear-supplied power is as low as 2.7 cents a kilowatt-hour.

A Pollution Probe survey in 2002 rated nuclear, large hydro, and coal as the three lowest-cost power producers. The cost for nuclear energy came in at about four cents a kilowatt-hour, about even with coal. Large hydro dams were also in the same range. Smaller hydro dams and natural gas plants were closer to five cents a kilowatt-hour or higher. But that was three years ago, when gas was half the price.

I mentioned rising natural gas prices earlier. What about the price of uranium, the fuel that powers the nuclear process? The cost of uranium has also risen in the past two or three years. But unlike other energy sources, the impact of higher uranium prices on electricity generation has been modest.

The price of uranium fuel makes up a relatively small component of the cost of nuclear-produced power. Uranium is also a marvellously efficient fuel. A pellet of seven grams—the weight of two nickels—contains as much energy as three barrels of oil or 17,000 cubic feet of natural gas.

Nuclear energy is also reliable power. Since 1962, reactors have delivered more than two billion megawatt-hours of electricity to the grid in Canada—enough to supply the entire country for four years.

In the first quarter of this year, several reactors in Ontario turned in capacity performances of well over 90 per cent. Last year, Unit 4 at Darlington posted a performance factor of 95.1 per cent. In South Korea, four CANDU reactors all had 90-per-cent ratings, with one—rated as the best CANDU worldwide last year—recording 97.4 per cent. A CANDU reactor in China turned in a similar result.

Both reactors and large hydro dams are large-scale producers. Projects of this size take 10 years or more to bring online—about half of that time due to regulatory, environmental, and other phases. This lengthy period reinforces the need for the various authorities in the electricity-approvals process to move expeditiously.

Once the go-ahead is given for new reactors, the actual construction work occurs relatively quickly. Today's modular assembly techniques, pre-fabrication systems, and parallel-building activity mean that reactors can go up in five years or less. They are completed on budget and on time. Atomic Energy of Canada delivered one of its CANDU 6 reactors in China 100 days ahead of schedule.

Continuing research and design has allowed nuclear technology to improve dramatically over the past few years. The latest generation reactors are designed to be efficient for up to 60 years. This timeframe and lengthy amortization period means affordable and reliable power can be provided for several decades.

Like all major power generators, nuclear plants create waste. Over the last 40 years of operating nuclear power reactors in Canada, the volume of waste is modest compared to fossil fuel with the total volume of nuclear spent fuel filling about five hockey rinks to board level. Canada's nuclear operators will have a plan developed by the end of this year for long-term management of nuclear waste.

In its interim report, the Nuclear Waste Management Organization has recommended a staged waste-storage process, with ultimate isolation of used nuclear fuel deep underground in suitable rock formations. The NWMO will submit its final report to the federal government in November.

For now, the waste is securely stored at reactor sites. Spent fuel bundles are safely contained in wet bays and are placed later in dry storage facilities. We know where all of our waste is; it does not get deposited into the atmosphere.

That's because reactors do not emit greenhouse gases. Such heat-trapping emissions have been linked to melting glaciers and rising Arctic seas. The International Energy Agency reports that global carbon dioxide emissions resulting from human activity are growing about 1.7 per cent every year.

Nuclear reactors run a very close second to large hydro dams as the world's two major sources of emissions-free power generation. Since 1972, reactors have helped Canada avoid production of more than 1.6 billion metric tonnes of emissions that would have been issued had fossil fuel stations been used instead.

Many leading environmental scientists, such as Dr. James Lovelock, originator of the Gaia Theory that the Earth is a self-regulating biosphere, have endorsed a strong role for nuclear because it does not create emissions. Expanding Canada's nuclear capacity would go a long way in helping the country meet its Kyoto obligations to trim emissions.

Around the globe, we are seeing a nuclear renaissance as the many strengths of nuclear energy are recognized. About 439 reactors are in operation worldwide. The World Nuclear Association reported this spring that a further 133 were under construction, in the planning stages, or have been proposed.

Last month, President Bush signed the Energy Policy Act of 2005, encouraging construction of new nuclear plants as part of a diverse energy-production portfolio in the U.S. The act provides incentives for building new reactors, including loan guarantees, and authorizes funding for research and development.

China, France, Finland, the United Kingdom, Japan and other countries have also adopted nuclear energy in their public-policy positions. They see nuclear as an absolutely essential solution to future energy needs. Canada should look to the reasons these nations have endorsed new nuclear energy and take similar steps in this country.

Canada is one of the world's leading nuclear-technology nations. This country has made enormous contributions to nuclear medicine. Canada produces 75 per cent of the world's Cobalt-60 used to treat cancer, to prevent disease, and sterilize over 40 per cent of the world's single-use medical supplies. CANDU reactors are proven performers worldwide.

Despite this impressive record, it has been difficult to get governments in this country to commit to, and to promote, more nuclear-created electricity. They have been reluctant to get behind the latest nuclear technology, with its smaller yet far more efficient reactors. Other countries have realized Canada's nuclear energy benefits but we haven't.

There are signs that this may be changing, especially at the provincial level. Last month, Canada's premiers recognized the important role played by nuclear-created electricity when they discussed energy policy during their meeting in Banff.

New Brunswick is going ahead with a $1.4-billion refurbishing of its Point Lepreau reactor. Premier Bernard Lord said this summer that the decision constituted "the most prudent, most balanced, and most realistic approach to take for all New Brunswickers." The Quebec government is presently reviewing the option to refurbish its Gentilly 2 reactor unit.

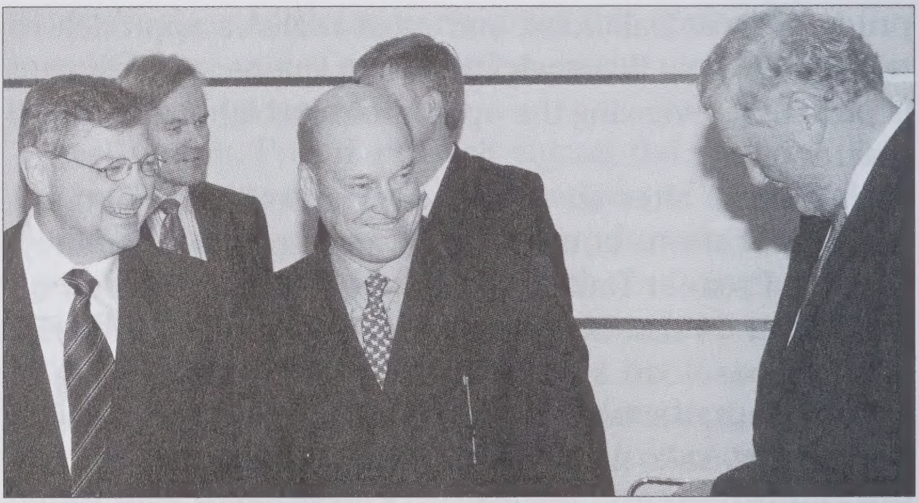
In Ontario after an exhaustive canvass of all options, new generation, conservation and energy efficiency, Ontario Premier Dalton McGuinty said in a speech on September 14 that his government understands the need for new baseload supply in the province. Speaking in Niagara Falls, he said: "We are prepared to go ahead with economical, safe, new nuclear if that is recommended by the Ontario Power Authority." The premier had previously identified the four cornerstones of Ontario electricity generation policy. Generators must be safe, clean, affordable and reliable. For new baseload power, nuclear energy is Ontario's best option to meet these tests.

There is public support for nuclear's role in keeping the lights on. Recent surveys by polling firm Ipsos Reid shows that almost 60 per cent of Ontario adults support nuclear energy. Support for both refurbishing existing reactors and for building new units has risen strongly as our power system has been stretched to the limit.

Power users—whether they consume electricity in the home, the factory, or the hospital—must be assured that affordable electricity will be available, to support their quality of life, to help them to compete internationally and to propel Ontario confidently forward into the 21st century. Your Canadian nuclear industry is here to provide that assurance.

Thank you.

The appreciation of the meeting was expressed by Pat Mills, Career Partners, Hazell & Associates, and Director, The Empire Club of Canada.



Murray Elston, President and CEO, Canadian Nuclear Association, Pat Mills, Career Partners, Hazell & Associates, and Director, The Empire Club of Canada, and Don MacKinnon, President, Power Workers' Union.

September 26, 2005

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

David Miller

Mayor of Toronto

INVESTING IN OUR YOUNG PEOPLE

Chairman: **Rod Phillips**
President, The Canadian Club of Toronto

Head Table Guests

William G. Whittaker, QC, Lette Whittaker, Barristers & Solicitors, and President, The Empire Club of Canada; Bill McClean, Vice-President, Manufacturing Development and Operations, IBM Canada Ltd.; Dr. Ken Connelly, President and CEO, Goodwill Industries Toronto; Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Norman Bacal, Co-Managing Partner, Heenan-Blaikie LLP; Buzz Hargrove, National President, Canadian Auto Workers Union; Kim Warburton, Director, Government and Community Relations, Bell Canada; Ucal Powell, Executive Secretary Treasurer, Carpenters' Union, Central Ontario Regional Council; Dr. Sheldon Levy, President, Ryerson University; Alix Rustey, Grade 12 Honour Student, North Toronto Collegiate Institute; and Ivan McFarlane, President, Findhelp Information Services, and Director, The Canadian Club of Toronto.

Introduction by Rod Phillips

David Miller

Thank you very much for having me here today. I came here today to deliver a very simple message.

Let me get straight to the point. I've come here today to talk about the role Toronto businesses need to play in the safety of our city. That role is straightforward: I want Toronto's business community to provide jobs and other opportunities to young people who do not have them.

I know that every person in this room is aware of recent events in our city; shootings have led the news and dominated conversations for months. I hear about it from the media, from other politicians, and from people I meet on the street and in the subway every day. People want us to keep this city safe, and they know that there is only one good time for us to act, and that time is now.

Toronto is a safe city.

I don't say it's safe to diminish our outrage at the murders that have rocked our city; every life ended by a bullet punches a gaping hole in the fabric of our community.

I don't say this city is safe in an effort to avoid my responsibility to face these crimes head-on. My office and the city council must lead the effort to keep our streets safe, and I have accepted this duty without hesitating. We have led, and we will continue to lead, the effort to keep our streets safe and our neighbourhoods strong.

The reason I feel it necessary to remind people that our city is safe is that I am concerned. I am concerned that people might become discouraged. That people will start to accept these kinds of crimes and somehow see them as part of the normal course of events. I am worried that people will start to think of gun crime as an inevitable aspect of life in Toronto. And I am worried that people will think that nothing can be done.

The reason I'm here today is because there is so much to be done. The City of Toronto has been working to keep our communities safe since long before this latest spate of violence. I will talk about some of the things we are doing, but first I want to say more about why it is so important to provide employment and job training to young people.

We have proven over and over again that education, job training, and jobs that give young people hope and opportunity, help turn young people away from criminal activity. We can't prevent the murders that have already happened in our city. But if we take the initiative now, and give young people in our city a decent chance, we can prevent many potential crimes before they happen.

Nobody is better equipped to give this kind of chance to Toronto's at-risk youth than the people in this room today.

Through the city's Community Safety Plan, we have already seen what a difference it makes to put young people to work, even if it is only for a few weeks in the summer.

The Community Safety Plan is a comprehensive group of initiatives aimed at balancing enforcement with prevention. We know that the greatest deterrent to committing a crime is the fear that you will be caught. Police Chief Blair and the Toronto Police Service send that message loud and clear with every new arrest and with every charge laid.

Recently, we have taken advantage of a provincial program that has allowed us to hire 150 new police officers. Adding to the force on its own, though, isn't enough. We're also changing the role of officers in our community.

The police have increased their focus on community policing, and developing a partnership with the community. This both helps turn young people away from crime, and emboldens witnesses to come forward when a crime has been committed.

With the leadership of Chief Justice Roy McMurtry, who is Chair of the city's Community Safety Panel, the city has been focused on prevention. We have been working with the school boards, other governments, businesses and community groups to invest in young people's futures and to give them an opportunity.

In the two years since the program has been in place, the city has worked with many partners to make a difference in the lives of hundreds of young Torontonians. Through the plan:

- The provincial government funded summer jobs for youth from vulnerable communities this year and last.
- Centennial, Seneca, and Humber colleges have provided training to give young people the skills they need to find meaningful work.
- Companies like Heenan Blaikie, Goodwill, and IBM have agreed to employ young people, and also to train them, so they get the most out of their employment opportunities.
- Carpenters Union Local 27 enabled 11 young people to participate in a nine-week pre-apprenticeship training program, opening the door for them to future skilled employment.

Together, we have helped hundreds of young Torontonians, but we need to help thousands. The city is expanding its programs wherever it can. I am pleased to be able to tell you that we will be expanding our Community Safety Plan from the current four target neighbourhoods to seven. At the same time, a separate city-led Strong Neighbourhoods Task Force is helping us to focus our community programs and facilities in many other neighbourhoods where there are not enough resources.

I attended a meeting of the GTA caucus of the federal government a few days ago. I was very pleased to see the politicians that Torontonians elected getting together to talk about this important issue, and I went there to deliver a clear message. My message was that the time for talking is over.

It's time for our federal partners to act.

The city has shown what needs to be done. There are already many successful programs in place and they must be expanded across the city. For the federal government, that means providing new money for programs like Pathways to Education. This program has cut the dropout rate in the Regent Park neighbourhood from just under 60 per cent to well under 25 per cent. That is a huge change. There is no better service we can give our young people than to find ways like this to keep them in school.

People expect this kind of investment from governments at every level. They expect community organizations and educational institutions to be involved.

I want you to know that I believe Toronto businesses also have a responsibility to invest in their city. A responsibility, and also an opportunity.

This is an opportunity to attract young employees who have the potential to contribute to the growth of your business. These are kids who are bursting with energy and ideas, who only need the opportunity to show what they can do.

As mayor of Toronto, I have the privilege of speaking regularly with community leaders, local business people, and young people all over the city. I have heard many stories of people who have excelled when they were given even the smallest window of opportunity. And sadly, I have also heard the tragic stories of those who had no chance at all.

Whenever the subject of violent crime comes up in conversation, people's reaction is always the same. They are distraught, shocked, and sometimes horrified. But at the same time, people all over the city are quick to ask the question, "What can I do?"

Torontonians' willingness to do their part for their city is one of the things I love so much about living in this city. Torontonians know how to pull together. They know how to work in partnership across neighbourhoods, across cultural boundaries, and across religious, racial and financial differences. It's this spirit that inspired me to be here today to talk about investing in our young people.

I have been using the term "investment" and I assure that I use it advisedly. I am not here today to ask you to give to charity. The proposal I have presented you with today can help make your business stronger, and our city safer. It is actually about the wisest investment you could make.

In addition to your self-interest, though, I hope that you also agree that this is a good idea because it is the right thing to do. We all owe it to our young people to give them a chance. We all owe it to our residents to divert young people toward jobs, and away from guns.

I recognize that it costs money to hire people. I recognize that some companies are small enough that adding even one or two people to the payroll makes a big difference.

But consider Heenan Blaikie, an excellent law firm, but not a large corporation. Heenan Blaikie brought in four young people from communities identified in the Community Safety Plan to work in their offices as paid interns. At the end of the planned period, things had worked out so well that one of these interns was offered a permanent position.

This is one example, and we need thousands more like it in Toronto. The unemployment rate for people between the ages of 15 and 24 is almost 14 per cent in Toronto—far higher than the overall rate. And let's be clear: there are many young people from groups who face systemic barriers, and the unemployment rate among these groups is higher still.

We have to ensure that our efforts reach the right people. We have to make sure that people who face barriers because of race or poverty gain access to the same opportunities that are available to others. I often speak about how every resident in this city deserves to enjoy the benefits of living in Canada's economic capital. When I talk about hiring at-risk youth, I'm talking about hiring people who have been subject to disadvantages and discrimination. I'm talking about living up to the principle that we have to make this city work for everyone.

Hiring at-risk youth doesn't necessarily mean adding to the number of people on your payroll. Sometimes it can merely involve a shift in priorities when hiring opportunities come up naturally. I'm proud to say that the City of Toronto is a good example of this.

Our Parks and Recreation Department for instance concluded that resources were lacking in some of the communities targeted by the Community Safety Plan. It is in the process of filling these gaps. But even before this, it was already hiring young people from these communities who were in danger of slipping through the cracks and being left behind.

I firmly believe that the city council and my office must lead the effort to assist at-risk youth. We must lead both by setting a course, and by setting an example. My office is not large—a little more than 20 people—but we hire interns every year, and next summer at least one will come from an at-risk community.

On its own, this is a small step. But today, in addition to my request to the business community, I also want to challenge city councillors and Toronto politicians from other governments to do whatever they can to employ young people who need an opportunity. I also extend this challenge to hospitals, universities, and other public institutions. Let every one of us lead by example.

In addition to all the other disadvantages many young people face in our city, there are often basic logistical challenges in connecting them with employers. Through our Community Safety Secretariat, the City of Toronto is working to overcome these barriers as well. The secretariat has been working with community agencies and with businesses to ensure that jobs go to the people who need them most.

If your company is willing to take up this challenge, they should contact Linda McGrath, who works in youth employment programs at the city. We have her contact information available here today.

The secretariat is working to ensure that the people who benefit from these jobs are those who truly need the opportunity. At the same time, they work with employers to make sure that the jobs themselves are truly beneficial.

Providing jobs for at-risk youth is about much more than putting a few dollars in their pocket. This is about giving young people hope for their own future. That means that the jobs have to be meaningful, teach skills, and lead to other opportunities.

A good example of this comes from Goodwill, another company that has already come forward to employ at-risk youth. Not only have they agreed to give 100 at-risk young people in this city paid work, Goodwill is giving them skills training, making them qualified to move on and up in the working world.

Let me close by revisiting that term I have used so much today—"at-risk." It is an inherently optimistic term. We have neighbourhoods that are "at risk" of being left behind. But we will not allow them to be left behind.

We have young people who are "at risk" of getting involved with crime. But we must give them the hope and opportunity that will keep them away from crime.

We have a city that has been touched by violence. We are "at risk" of allowing this violence to become part of the backdrop. But we must not let violence become part of Toronto's backdrop.

I sincerely hope that you share my commitment to make sure these risks never become realities.

Today I have been talking about rectifying some of the injustices and inequities in our city. But I want to close by reminding you of another consistent sentiment I hear every day: optimism. Despite the headlines shouting about violence, and despite the tragic stories behind these headlines, Torontonians know that there is something special and wonderful happening in this city right now.

We are growing, and changing, and expanding—taking our place as one of the great world cities of the 21st century. You can see it in our evolving skyline, in the changes that are starting to happen on our waterfront, and in smaller ways in every neighbourhood in the city.

Investing in our young people is part of this change. It's about making sure that every Torontonian gets the opportunity they deserve. It's also about building a prosperous, creative, welcoming city. When Toronto succeeds as a city, its businesses succeed also.

In closing, I would like you to think beyond the specific proposal I have presented here today. I'd like to invite you to consider other ways to change the role your company plays in our city. As Toronto changes, business leaders have the chance to be more than business leaders; they can be city builders. This city belongs to all of us, and I believe we share a common vision for its future.

I sincerely hope that you will work with me, with the Community Safety Secretariat, with labour and community groups, and with the young people of this city to make Toronto a place that fills every resident with pride, and with hope.

Thank you very much.

The appreciation of the meeting was expressed by William G. Whittaker, QC, Lette Whittaker, Barristers & Solicitors, and President, The Empire Club of Canada.

Members and guests of the Canadian Club of Toronto and the Empire Club of Canada, I have the honour to express your formal thanks to Mayor Miller.

Community safety and personal security are important concerns for our citizens. However, I am glad Mayor Miller reminded us today that in spite of recent events, Toronto is a safe city.

Our civic policies must continue to be inclusive so that all of our citizens have the opportunity and the ability to participate fully in Toronto's economic, social, and political life, particularly in this—

one of the most multicultural cities in the world. In his speech, Mayor Miller provided us with examples, which achieve these goals. Another example of Mayor Miller's initiative in this regard (which my wife Carolyn who teaches at Centennial College insisted I mention) is the Malvern Project—a free summer school experience at Centennial College's Progress Campus where disadvantaged youth received hands-on training in various fields to prepare them for college-level studies. At the end of summer school, these young people received Centennial College certificates at a special graduation ceremony, which their proud families and friends attended together with Mayor Miller and Chief Justice McMurtry.

David McFarlane, in his recent Toronto Life article on Mayor Miller, stated that the role of a Toronto mayor is an odd combination of the political and the diplomatic, the ceremonial and the activist and a curious amalgam of power and powerlessness, responsibility and dependence. With only one vote on Council, our mayor has to be a leader and inspire others, characteristics our 70th mayor has in abundance.

Mayor Miller, I understand that an important part of your very cold and wet July 2002 canoe trip on the Burnside River in western Nunavut were the discussions you had with your friends about what you wanted to accomplish as Toronto mayor. In your speech today, you described to us clearly what you have done, what you are doing, and what you want to do to provide opportunities for our disadvantaged youth and the challenges you have issued to our businesses, politicians and public institutions to invest in our youth.

On behalf of our audience today, I thank you for your remarks.

September 29, 2005

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency Mr. Frank McKenna

Ambassador of Canada to the United States of America

CANADA-U.S. RELATIONS

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

William (Bill) F. White, President, IBK Capital Corp., and Director, The Empire Club of Canada; David Fisher, Grade 12 Student, North Toronto Collegiate Institute; Rev. Canon Kimberley Beard, BA, BEd, MDiv, Senior Pastor, St. Paul's On-the-Hill Anglican Church; Cameron Turner, Managing Director, Windy Point Capital; Catherine Swift, President and CEO, Canadian Federation of Independent Business, and Director, The Empire Club of Canada; Wallace McCain, Chairman, Maple Leaf Foods Inc.; His Excellency Mr. David Wilkins, Ambassador of the United States of America to Canada; Dominic D'Alessandro, President and CEO, Manulife Financial; Pamela Purves, President, Pamela Purves and Associates, and Director, The Canadian Club of Toronto; John A. Campion, Partner, Fasken Martineau DuMoulin LLP, and Past President, The Empire Club of Canada; Jessica LeCroy, Consul General, U.S. Consulate General in Toronto; Allan E. Gotlieb, Senior Advisor, Stikeman Elliott, Toronto Office, and Former Ambassador of Canada to the United States of America; Shauneen E. Bruder, Head of Client and Marketing Strategy, RBC Financial Group; Charles S. Coffey, Executive Vice-President, Government Affairs and Business Development, RBC Financial

Group; and Noella Milne, President-Elect, The Canadian Club of Toronto, and Partner, Borden Ladner Gervais LLP.

Introduction by William Whittaker

Ambassadors McKenna and Wilkins, (who I thank for attending today and who will address us on November 14) are our keynote speakers in what we hope will be a luncheon series focusing on the Great Lakes Region of North America.

Most people do not realize the economic and political significance of the Great Lakes Region of North America. Consider the following:

- New York's economy is the size of Brazil's.
- Pennsylvania's—the size of the Netherland's.
- Ohio's—the size of Australia's.
- Indiana's—the size of Denmark's.
- Michigan's—the size of Argentina's.
- And Illinois'—the size of Mexico's.

The impact of the Great Lakes states on the province of Ontario is profound. Ontario accounts for 55 per cent of Canada's exports to the United States and 95 per cent of Ontario's exports are to the U.S.A. exiting primarily at Fort Erie, Windsor and Sarnia.

For the past 40 years, successive Canadian ambassadors to the United States and United States ambassadors to Canada have addressed our two clubs and we are gratified that Ambassadors McKenna and Wilkins are continuing this tradition.

President John F. Kennedy, who had a profound impact on my generation of Canadians, described the relationship between our two countries in the following memorable phrase: "Geography has made us neighbours; history has made us friends. Economics has made us partners. And necessity has made us allies."

Sometimes we forget this given the day-to-day irritants between our two countries.

Gordon Griffen, who was U.S. Ambassador to Canada in the late nineties, in a speech to the Empire Club in April 1998 characterized the diplomacy between our two countries as follows: "In most diplomatic relationships, discussions are first conducted in a ritualistic exchange of half-sincere courtesies and assertions of mutual respect, before getting down to the hard business of talking about deep differences of opinion. U.S.-Canadian discussions, however, usually begin with a ritualistic exchange of complaints and frustrations before getting down to the hard business of recognizing our common interests."

The English essayist C.S. Lewis observed there are two basic types of close personal relationships. In a two-way relationship, people look at each other. In a partnership, they look in the same direction together.

When two people who are close to each other look at each other, their differences and imperfections tend to stand out, even if these differences are far less dramatic than their similarities. That's the way Canadians and Americans have looked at each other in recent years—quick to spot blemishes in the familiar mirror image.

However, when Canadians and Americans have been partners in war, in diplomacy, and in humanitarian efforts, they have looked at the world through the same lens. Both nations must dust off that lens and use it more frequently.

Ambassador McKenna was appointed Canada's 20th ambassador to the United States on March 8, 2005. He was elected to the Legislative Assembly of New Brunswick in 1982, becoming premier in 1987. Retiring undefeated as premier in 1997, Ambassador McKenna served as counsel to the Atlantic law firm of McInnes Cooper and to Osler Hoskin and Harcourt in Toronto. During this period, he was also a director of CanWest Global, Canadian Natural Resources, General Motors of Canada, Shoppers Drug Mart and Noranda. Ambassador McKenna also worked in the real world at the family-owned enterprise, Glenwood Kitchen Cabinets, a manufacturing operation at Shediac, New Brunswick currently being run by his son James.

Ambassador McKenna is the recipient of a long list of awards, the more notable being the Canadian Advanced Technology Award for Government Service, Economic Developer of the Year (1993) and the Vanier Award for Outstanding Young Canadians. He was educated at St. Francis Xavier University and the University of New Brunswick and holds honorary degrees from Dalhousie University, Mount Allison University, Royal Military College, Ryerson Polytechnic University, l'Universite de Moncton and his alma maters.

Ladies and gentlemen, please join me in welcoming His Excellency Ambassador Frank McKenna.

Frank McKenna

Well, thank you, Mr. President. And thank you for a most elegant introduction. I am just incredibly honoured to be here and to share this small period of time with you. I know how many commitments all of you have and the fact that you would choose to spend some time here today means a great deal to me.

I should tell you that when I'm looking for wisdom—which I'm looking for frequently these days—I do, as is my wont, speak to the local fishermen in my hometown of Cap-Pelé, New Brunswick. I find that just about anything that's worth knowing, they know. This week I was home. We had a Katrina fund-raiser and I leaned over the back fence to talk to my neighbour. I was feeling a little bit down because there have been a lot of big issues going on these days. And I said to him, "I'm working in a place that doesn't know anything about us, that's self-absorbed, inward looking, totally indifferent to the fact that I exist or we exist." He looked at me with puzzlement. "Are you still working in Toronto?" he said.

There is one piece of very good news for all of us. As a former player myself and as a big fan (even down in Washington) who follows with a great deal of interest the sport, something very exciting is going to be happening and is happening this week. We're going to see a return of ferocious crosschecks, high elbows, bloody noses, unsportsmanlike conduct and endless trash talk. God, it's good to have Parliament back in session.

Now the truth of the matter is, today, I just feel an extraordinary sense of gratitude and honour being here. Some of my best friends in the entire world are in this room and in this city. I love coming back to Toronto and I'm personally honoured to have been invited. I also want to acknowledge that we have with us today a number of hardworking public servants, ambassadors, former political leaders, ministers, members and so many others. And I particularly want to thank my colleague, Ambassador David Wilkins, for being here today.

Now Ambassador Wilkins makes the case for the fact that the United States of America cares about us and that the President of the United States has a great deal of respect for us because he sent us a tremendous ambassador to represent the interests of the United States of America in Canada. And Ambassador Wilkins and his wife, Susan, have been crisscrossing this country from one end to the other. He's getting to know more about Canada and Canadians, getting to know the issues well and I truly applaud him for that.

I know that he's speaking here in several weeks time and he's going to have the last word on anything more I say about him today. Suffice it to say that we're so close—and we are close—you can hardly get a stick of two by four between us.

So Ambassador Wilkins has a huge advantage on me and of course we have Ambassador Gotlieb here who's really the Bible. It's like going to the oracle when you talk to him. But Ambassador Wilkins has a huge advantage on me because he went through ambassador school before he took the position. I didn't have ambassador school. And so I've had to learn from the school of hard knocks and I use the term hard knocks advisedly.

Anyway, because I didn't have the advantage of ambassadorial school, I did some research to try to understand what being a diplomat and being statesmanlike was all about. And I can tell you the more research I did the more concerned I became as to whether I could do the job.

The first reference I found was the mother of the Empress Catherine of Russia. She wrote to Frederick the Great advising him to choose as his ambassador to St. Petersburg a handsome young man with a good complexion. My complexion is not that good.

Now sometimes the qualifications are even more domestic than that. Monsieur de Callieres in his landmark essay on diplomacy suggested that a good cook is often an excellent conciliator. I'm not that good a cook.

Now another attribute that's noted time and time again is to be quiet and deferential. Thomas Jefferson is quoted as having written a letter to his secretary of state, "We've heard nothing from our ambassador to Spain in two years. If we do not hear from him this year, let's write him a letter." I can assure Paul Martin is not saying that about me.

And then as I delved into the research a little further I found that maybe there was hope. Henry Wadden, who was an English diplomat and poet from the middle 1600s wrote, "An ambassador is an honest man sent to lie abroad for the good of his country." I was in politics. I can do that.

And I really became confident that I could do this job when I read about the major attribute that was required of envoys to the German court. They had to be able to absorb without derangement vast quantities of intoxicating liquor.

Now I am going to do the absolute unthinkable today for any good diplomat. I've got a superb Public Affairs Department that writes speeches for me down in Washington and I've decided I'm just going to rip the speech up and let her rip today. I recognize the issues of the day and how important they are, but I am so tired of talking about softwood lumber I just want a break for one day.

I want to talk about the relationship, the Canada-U.S. relationship, but more specifically, because I talk about the U.S. relationship all the time, I want to talk about the Canadian side of the U.S. relationship. And I decided that, because this week for me at least became a week of epiphany and I'll tell you why.

To start with, last night I was watching television and I saw an old clip from George Bush's speech after 9/11 in which he thanked a lot of countries in the world but omitted to thank Canada. I remember at the time how upset we were and how concerned we were with that so-called oversight. Well, as I watched it last night I felt the same thing that I felt back when that incident happened. I felt so self-conscious and so concerned that we in Canada would care about whether we had to be mentioned in a speech by somebody thanking three or four countries out of the hundreds in the world that were there. And I said to myself, "Are we so self-conscious or so unsure of ourselves as a nation that we need that validation constantly from others as to who we are and what good neighbours we might be."

And then I started to realize that we need to think in terms of the relationship, about the fact there are two parties to the relationship—Canada and the United States. When I'm in the United States I'm constantly confronted by what really is very visible—an indifference or lack of knowledge or information about Canada. Or, as Al Capone said, "Canada. What street is it on?"

But on the other hand when I thought about that a little bit more I said to myself, "Maybe, just maybe, it's not different from what that great philosopher Pogo once said, "I saw the enemy and he was me." Because how can our friends in the United States of America truly know who we are unless we truly know who we are ourselves? And how can our friends in the United States of America appreciate us unless deep down we appreciate ourselves? And how can our friends in the United States of America respect us unless we're truly convinced that we respect ourselves?

As I thought about it, I said to myself, "We have a lot going for us in this country. Rather than simply talk in vague terms about what Canada is, we should try to define more specifically some of the attributes of this great country." I look at government and God knows in Canada we love to hate government. But, you know, I practise my art now in the United States of America. The United States of America is a wonderful creation. The Constitution is a spectacular thing. But it was anticipated that it would be established as a country in which there would be a check and balance on the exercise of power. And I can tell you categorically that what has been institutionalized instead is total gridlock. The government of the

United States is in large measure dysfunctional. The United States is a great country. That's a different issue. But in my humble view it's a great country in spite of its government structure rather than because of it.

In the 107th Congress of the United States of America alone, 9,000 pieces of legislation were introduced, 377 passed. In the United States of America there was so much independence of political loyalty that everybody in their own way is a freelancer going off in different directions. It would be like having 535 Carolyn Parishes in one place.

But the truth of the matter is that lack of structure makes it very difficult to develop a coherent policy and implement it, and we see it all the time in the United States of America. The government is so complex that even people who work within government need help to navigate through it. One senator has 75 staff members working for him—75—just to navigate through the myriad of layers of government and try to figure out who's doing what. In Washington D.C. there are 35,000 registered lobbyists. And those lobbyists are all there in order to navigate for people, to try to show them how to get through government. Washington D.C. has more lawyers per capita than any other place in the entire world. That's why they say it's not safe to walk on the streets at night. Poor joke. Sorry. You can see where this is going. It is a government that requires a huge amount of effort to try to get anything done.

In Canada, whether we like it or not—and often we don't like it—essentially we have party discipline and if you can convince the Prime Minister or a minister that something should be done, invariably it can end up being done. In that sense our government—and it's a huge advantage to us—can be much more responsive.

On the fiscal side I'm living in a country that is in a very difficult financial situation in my humble view. Last year's deficit was some $430 billion. This year with the

Katrina costs it will be over $500 billion. Until it's able to turn around, the most optimistic prognosis is $1.4 trillion in new debt. A more pessimistic one is $3.4 trillion in new debt. And that's not to speak of the fact that it doesn't include unfunded liabilities for social security which some estimate could run into 20 to 30 trillions of dollars. So this is an extremely serious situation.

Canada—again, we love to hate it—but Canada is in its eighth consecutive year of surplus. It is the only country in the world, and the only country in the G-7, that had a surplus in the last three years. Over $50 billion has been paid down on the debt. Our debt-to-GDP ratio has almost been cut in half. Our level of foreign borrowing is the lowest in all of the G-7. We've had the highest economic growth rate of any country in the G-7 for the last seven years. Low inflation. Low interest rates. We've the highest employment record in the G-7 in the last seven years. Our pension plan, instead of being in deficit, is actuarially balanced for the next 75 years. We have a very strong fiscal platform in Canada. And let's face it, we are now a petro country with a petro currency. The challenge of governments in the future is not going to be just allocating scarcity as we have in the past, but allocating planning and trying to decide how money will be judiciously spent. That's how strong the Canadian platform is.

And then look at our physical resources at a time when the world will be crying out for water. We probably have the largest water resource in the world. The border alone has 20 per cent of the world's best water in its immediate vicinity. In terms of base metals for the building that's taking place in China and India, Canada is the capital of the world with respect to those markets.

And with respect to energy in an energy-starved world, where our neighbour to the south of us, the United States of America, relies on imports for 60 per cent of its oil, Canada is self-sufficient in every category. Canada is the biggest exporter of uranium, of electricity, of natural gas, of crude and, as of 2004 we've displaced Saudi Arabia as the biggest exporter of oil to the United States of America.

And who are our competitors around the world? Well, countries like Venezuela, Bolivia, Nigeria, Iran and Iraq. You get the picture? We are not only the largest exporter of our energy products to the United States of America, we're the most secure exporter of our products to the United States of America.

So we are truly becoming a very powerful nation. I know that people in Canada love to hate our health-care system. And, as one said about democracy, it probably is the worst system in the entire world except for any other system. The fact is that in our own way we have put together a very good health-care system. Our neighbours to the south of the border arguably have the best medicine in the world. I concede that. But 15 per cent of their GDP is devoted towards health-care costs and it's about 9 per cent in Canada. And for our 9 per cent of GDP we get better macro outcomes such as life expectancy and survival rates at birth. So those are very significant indicators of good health.

In addition, because governments end up absorbing the costs of health care through a single fee payer system, we do not have health-care costs entrenched into the industrial base. It's no secret that the United States is the only industrialized country in the world where employers pay all health-care costs. It's no secret as well that it costs more to produce a car from health care than it does from steel. And that creates a huge competitive challenge for the United States of America and a huge competitive advantage for our country, Canada. Should the system be better? Should it be improved? Can we do things? Obviously yes. But we have a pretty commendable system.

The tort law system is another matter. Two hundred and thirty-three billion dollars is what the tort law system in the United States, class actions and jury trials, cost the

U.S. economy—3 per cent of their GDP. We've had the good fortune in Canada to have far less pressure on the system, and as a result, it creates a very significant advantage for us.

And then there are the intangibles. The intangibles are issues of quality of life of a different variety altogether. One intangible is the way in my view, this country has been able to balance being a private enterprise economy with having a socially progressive conscience and a socially progressive set of programs. In our country if you want to make it to the top you have all of the incentive in the world to make it. But if for some reason not of your choosing you get left behind, in Canada there is always a helping hand to lift you up. Whether it's the regions of Canada, the poor of Canada, the handicapped, Canadians have a generosity of spirit that sees us always extending a helping hand to those who are most in need.

And there are other intangibles as well. I told you why I tore up the speech on softwood lumber. This was a week of epiphany because this week we said "goodbye" to the top position in our land, the governor-general, who came to Canada as a poor refugee in 1942 and ascended to the biggest role that our country has to offer. And on the same day we said "hello" to a 48-year-old woman of colour, the descendant of slaves, coming from one of the most impoverished and violent nations on earth, who came to Canada as a refugee at 11 years old and who assumed the highest office in our land.

In the United States of America—I respect enormously all of their institutions—to be president of the United States of America you have to be born in the United States of America. There is the story that Franklin Delano Roosevelt's mother was pregnant on Campobella Island and she raced across the bridge to Lubec, Maine to deliver the child so that he could be the president of the United States of America. I love the model, the respect for the presidency. But I feel this enormous amount of pride in our model that for two consecutive terms the highest position that we have to give in our land has gone to refugee women who have come to Canada and made it on their own in this great country.

I felt so touched this week—and I think all Canadians were emotionally raw—just listening to this graceful woman talking about values that we so seldom talk about as a country, things that we take for granted but never articulate. She talked about our freedoms. We never talk about our freedoms in Canada. We have very acrimonious political debates because we can. We have very critical newspaper articles because we can. We have very raucous debates on issues in communities because we can. And every day of our life we take for granted that every other nation in the world has the same freedoms that we have but they don't. And she talked about the freedom that she came for. She talked about the generosity of Canada, which we take for granted. But Canadians, as I pointed out earlier, are generous, reaching out a helping hand to those who are most in need.

She talked about how welcoming we are. We take it for granted, but every year we welcome into this country of ours hundreds of thousands of immigrants who are allowed to respect their own culture and their own languages and yet be part of a larger Canadian society. And as we embrace this immigrant community to our bosom in Canada we respect our two official language communities, our two founding language communities. We respect our Aboriginal communities, the original inhabitants of the land in which we live. So this is a country that's been able to get a balance—to welcome people from far off lands to Canada, to welcome them into our country and to allow them the respect of being citizens of our country with all the rights and freedoms and traditions that go with that.

So I left listening to all of this—nothing I'm saying is original—feeling this great sense of pride and purpose about my country. And that's why perhaps it made me feel that we should never be supplicants in the relationship with the United States of America. We should never be self-conscious about where we stand. We should never be looking for somebody else to validate who we are. We should be proud of our traditions which admittedly are different, our culture which is dramatically different and we should embrace at the same time the friendship and the collegiality that characterizes our relationship and has for so long.

So I've said enough but I can tell you this: when I'm in the United States of America—as I will be again soon—and people ask me questions about Canada, I will be assertive and direct and proud in my responses in talking about what this country stands for. Thank you.

The appreciation of the meeting was expressed by Noella Milne, President-Elect, The Canadian Club of Toronto, and Partner, Borden Ladner Gervais LLP.

His Excellency Mr. David Wilkins, Ambassador of the United States to Canada, Wallace McCain, Chairman, Maple Leaf Foods Inc., and His Excellency Mr. Frank McKenna, Ambassador of Canada to the United States of America.

October 6, 2005

Dr. Ruth Collins-Nakai

President, Canadian Medical Association

BETTER HEALTH, A BETTER CANADA

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Lisa Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Meredith Austin-Appleton, Grade 12 Student, North Toronto Collegiate Institute; Reverend Canon Philip Hobson, Incumbent, St. Martin-in-the-Fields Anglican Church; Jan Kasperski, RN, MHSc, CHE, Executive Director and CEO, Ontario College of Family Physicians; Simon Ouellet, Director, Human Resources, McMaster University; Dr. Gerry Rowland, President, College of Physicians and Surgeons of Ontario; Dr. Gregory Flynn, President, Ontario Medical Association; Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada; Normand Laberge, CEO, Canadian Association of Regiologists; Gretchen Van Riesen, Vice-President, Global Benefits and Pensions, CIBC; Andrew Hind, Vice-President, Siemens Medical Solutions Division; and Kevin P. Dougherty, President, Sun Life Financial Canada.

Introduction by William Whittaker

Dr. Collins-Nakai is the first speaker in our luncheon series on the future of Canadian health care, sponsored by Sun Life Financial, a leading international financial-services corporation chartered in Canada in 1865. Ontario Minister of Health and Long Term Care George Smitherman will address us on Thursday, November 24 and Alberta Minister of Health and Wellness Iris Evans on Thursday, December 8. Invitations have been extended to others to participate in this series.

Our luncheon series comes at an important time in the debate over the future of Canadian health care.

Our health-care system has been an important and defining feature of what it is to be Canadian. However, it reflects a vision of health for Canadians that was articulated over 40 years ago with the creation of medicare, which was reaffirmed in the 1980s when Parliament enacted the Canada Health Act. Rex Murphy of CBC fame has described medicare and the principles it espouses—public funding and universal access—as Canada's Magna Carta and Declaration of Independence combined.

While it is appropriate to reflect with pride on what Canada has accomplished to date in health-care delivery compared to other nations, we have many new challenges to meet today:

- a growing and aging population;
- increased medical knowledge with corresponding advances in technology and research;
- empowered health-care consumers; and
- a broadening emphasis from curing illnesses to prevention and rehabilitation.

Public debate and input are essential to determine the future direction of our health-care system.

The recent Supreme Court of Canada ruling allowing private health insurance in Quebec and Alberta's discussion of a "third way" health-care system highlights the competing visions for the way health care in this country can be delivered. The upcoming federal election will only intensify interest among Canadians.

It is timely that our series begins with the views of the doctors, one of the most important groups in the health-care system. However, as a lawyer, I can't resist telling a doctor's joke: A mother was obliged to write a letter to her son's teacher to explain his absence from school. After delivering the note to his teacher, the son explained to his mother that the teacher had to squint and strain to read the note and said, "I can't read this; is your mother a doctor?"

While one of the stereotypes of doctors is bad handwriting, our guest today is not your stereotypical doctor.

Dr. Collins-Nakai, a pediatric cardiologist, graduated from the University of Alberta Medical School in 1972, and after interning at McGill, returned to Alberta to pursue her pediatric training.

In 1977, Dr. Collins-Nakai joined the Faculty of Medicine and Dentistry at the University of Alberta, serving in various academic positions including Professor of Pediatrics and Associate Dean of Medicine. She introduced ultrasound of the heart, helped establish an infant heart surgery program, and was the first doctor to perform many innovative interventional catheterization procedures in Western Canada. Dr. Collins-Nakai was highly regarded as a mentor and professor, earning the honour of Teacher of the Year in Pediatrics in 1988 and 1997.

In 1987, Dr. Collins-Nakai became the first woman elected president of the Alberta Medical Association. She was also the first woman and first Canadian to chair the Board of Governors of the American College of Cardiology, and most recently served as the first woman president of both the Canadian Cardiovascular Society and the Inter-American Society of Cardiology.

Dr. Collins-Nakai has a long history of involvement with the Canadian Medical Association whose mission statement is to "serve and unite the physicians of Canada and be the national advocate, in partnership with the people of Canada, for the highest standards of health and health care." She was elected the 138th president of the C.M.A. this past August.

Please join me in welcoming Dr. Ruth Collins-Nakai, President of the Canadian Medical Association.

Ruth Collins-Nakai

Honourable Minister, Dr. Flynn, my colleague and president of the Ontario Medical Association, head table guests, ladies and gentlemen.

Mr. President, thank you for your kind introduction.

Listening to the number of positions I have held, it occurred to me that some of you might wonder whether I am capable of holding down a job! The one job that I have had—the one job I still love more than any other—is the one called cardiologist. It was what I was trained to do. It is what I love the best. For me, there is no greater reward than to hear the steady, strong heartbeat of a tiny infant.

That strong heartbeat says to me, to the world: "I am alive. I am a fighter. I am with you."

Thinking about that and thinking about what I wanted to share with you today, I thought of a story that paints a picture of our health-care system, the system that means so much to Canadians and to me.

The story begins with a blue baby, only four days old.

It was urgent this tiny bundle received immediate medical care and he did—initially. But as he grew other problems arose and at one point, he had to leave his home province and travel to Ontario because they didn't have the equipment he needed in Alberta. Later on, he even needed care outside Canada—at the Mayo Clinic.

To arrange this care I started making phone calls—many phone calls—my anxiety climbing with each message left, with each "You will have to obtain approval from..." In the end, we were able to move him, his heart was repaired and he had a chance at a normal life. I was very relieved and very happy. But I can tell you that I was not happy—and I remain unhappy—that something like that could happen in a nation as bountiful and blessed as Canada.

Our health-care system—like the nation itself—depends on co-operation across jurisdictions, across borders and across professions.

There is a child like the one I described in every city and town, in every province, in every region of Canada. But it is not just heart problems. You probably have a loved one or friend who needs some kind of health care today. Every child and every parent, every patient deserves better. They deserve a country that gives back certain important things to them, just as they give to their country. They deserve the best education we can provide as a society. They deserve to be safe in the community where they live. They deserve the chance to earn a living, and to contribute to the greater good. They deserve to be healthy, and they deserve our help when their health is not as good as it could be, or should be. Those essential things are entitlements of citizenship in this, what all of us know, to be the greatest nation on Earth.

But—and you knew there would be a "but," didn't you? There often is.

Canada, which at one time was the most attractive place on Earth to live, is falling behind. I cannot say it more simply than that.

As a Canadian, as a parent, as the president of an association representing 62,000 Canadian doctors, I believe we are falling behind in the things that count the most. We are no longer what we once were. We are certainly no longer what we could be, and should be. Canadians are known for both our courage and our commitment to community. We have got to where we are today by confronting difficult truths, head-on, and working collectively to change them. When I look around me now I see many troubling things. Perhaps you do, too. For example, we have all heard a lot about the "social deficit" lately, because we have one and because it is growing. Canadians who deserve more are getting less and less.

Did you know our infant mortality rates are rising, not falling, in relative and absolute terms? We have tumbled from our top-five ranking in the 1980s to where we are today. In the twenty-second spot out of 27 OECD countries.

Did you know one million Canadian children live in poverty—enough to fill the 50,000 seats in the SkyDome Rogers Centre, just down the street, 20 times over?

Did you know we have the second-highest pre-school obesity rate in the world? That, as the Ontario Medical Association warned in its new report just this week, we are facing an "obesity epidemic" among our children?

Did you know that an Aboriginal teenager has a greater chance of committing suicide than going to university?

Simply put, we are failing to care adequately for those who need our help the most.

It is shocking. It is appalling. It is simply unacceptable.

In these circumstances, what do the overwhelming majority of Canadians rank as their number-one priority? I am sure you know: health care. Not Gomery, not federal-provincial rows, not the environment, not even security. Health care, health care, health care. And, out of that group who see health care as number one, what is the number-one issue? Access to doctors and nurses. Canadians want and need more doctors and nurses. It is just that simple.

We have a widespread shortage of doctors and nurses in this country. If you look at physician-to-patient ratios around the industrialized world, we rank way back—a dismal number twenty-sixth out of 30 countries.

What does this mean? I'll tell you. It means that nearly four million Canadians—just about the population of the Greater Toronto Area—cannot find a G.P. or family physician, no matter how hard they try.

If a first minister were right here, right now, listening to this litany of shortcomings, they might tell you: "Well, we signed a health-care deal a year ago! Governments are working together better! We are spending more money on health than ever before!"

Those things might all be true, and all of us could certainly imagine a politician saying them, couldn't we?

Canadians—the Canadians doctors talk to every day in waiting rooms and hospital wards—don't want more words from politicians. They want action—and they want it now. Right now.

Last week the CMA polled Canadians, and I am releasing the results today. I don't want to talk statistics, but I can tell you that eight in 10 Canadians agree with us that national performance goals need to be established. The same number agree that a new federal fund should be created to cover the cost of patients and their families who have to travel to get timely access to needed health-care services.

The numbers don't lie. They tell me—they tell all of us—that our political leaders need to be doing better. Here, then, is my message to you as individual Canadians and through you, to our political leaders: join Canada's doctors in our call to action.

To the politicians, I say: the clock is ticking, and it is ticking ominously, on the Supreme Court of Canada's historic decision in the Chaoulli case. But some politicians haven't heard the wake-up call. They prefer to hit the snooze button—yet again—until the next election. Meanwhile, Canadians are getting tired of waiting for the health services they pay for. Some of them are getting sicker as they wait. They—all of us—want, no demand, action.

To the politicians, I say: you talk about Canadian values all the time. Well, I say—we say—it is time to ensure that those values mean something. Canadians need to pull together. That means helping one another when we need help. Governments, both federal and provincial, have said that they take wait times seriously. They are not taking them seriously enough.

I am appealing to each and every one of you in this room as individual Canadians and as leaders in your community. We must all ensure that the timelines for doing so are met. Our patients expect and deserve no less.

The Supreme Court of Canada has said politicians must take wait times seriously, by taking meaningful and lasting action. The first deadline—December 2005—looms large. It cannot be missed. The Prime Minister of Canada has appointed Dr. Brian Postl as Senior Advisor on Wait Times. We see this as a very positive move, and the doctors of Canada will continue to support his efforts by bringing all parties together to reduce wait times. We must all strive to put the Canadian back into Canadian health care. A universal system where no one gets left behind means just that. We cannot and must not accept that people living in different provinces will have quite different access when it comes to medically required care.

In the coming weeks we will be sharing more details about how you can get involved. Right now, today, I ask you to choose to make a difference. Write to your MP or your MPP or MLA. Write a letter to the editor. Talk to your colleagues and neighbours or find a political candidate who wants to make a difference too. We must pull together, or we will simply be pulled apart.

Good government—like good business, as everyone along Bay Street knows—needs vision. Vision must also be values-based since values drive behaviour. Behaviour, in turn, drives performance. So it is with health and social policy. Health is the ultimate accountant for a country's social and educational policies. Our performance is clearly lagging behind other countries. In order to improve our performance we must change our behaviour to fit our core values as a country. These changes are needed now.

Canada's physicians work with—and serve—you, our patients, every day in examining rooms, hospital wards and in homes, right across this land. We now want to work with you to lift up this nation's health-care system—and, in so doing, help lift up the nation itself. Each of us here today must come together to ensure that all Canadians have access to the quality health care they need, at the time and to the extent that they need it. We must ensure that access to medical care is based upon medical need, and not upon the size of a pocketbook.

There are things that give CMA, and all of us, cause for optimism. There is a consensus on national benchmarks—performance goals—put together by the Wait Time Alliance, members of which I am proud to say have joined us today.

The WTA is a group of national organizations representing specialist doctors. With the CMA, they have worked hard to develop maximum, medically acceptable wait times. Doctors, nurses and other health-care providers have also worked together to address the critical shortages of health-care personnel right now.

Health-care providers and Canadians have united around the need to develop national health goals to encourage health-improvement programs, and to help us make informed decisions about funding—when, where, how.

But there are also things that worry me greatly.

The Wait Time Alliance Final Report was released in August and greeted by silence even though it gave all governments a set of tools on a silver platter to reduce wait times in their own priority areas. Right now, right away. The Wait Time Alliance has sought meetings with the Council of the Federation to move ahead on wait times, only to be frozen out. Canada's health-care professionals remain frozen out of the upcoming meeting of federal and provincial leaders in 10 days because our leaders want to change the channel and move on from health.

Provinces each want to establish their own wait times for health-care services. That is not good enough. Canadian citizenship means getting the care you need, when you need it, wherever you live. Provinces need to come together to make this so.

Politicians talked a good game about solving personnel shortages with the 10-year plan on health last September, but one year later they haven't even released their preliminary work plan. Governments can do more, should do more, must do more.

Let me give you an example.

Many of today's medical students graduate with mortgage-sized debt loads of about $120,000. The 2004 National Physician Survey showed us that huge debt loads have a big impact on the type of practice pursued by young doctors—and, significantly, where they practice medicine. As a consequence, rural and family doctors are on the endangered species list and many Canadians who want to study medicine have to leave their country to do it. Governments need to make medical education more accessible to more young people. Repayment of Canada student loans even while still pursuing residency training is simply unjust.

I call on Prime Minister Paul Martin to change this now!

Before I close, you may wonder why I haven't addressed the issue of private insurance for health care in Canada, given the media coverage of this summer's Supreme Court decision.

I decided NOT to talk about it because CMA's position has not changed. Our policy is to do everything we can to support and improve publicly funded medicare in Canada.

Private health care is not a panacea for the ills of our system. However, if the public system fails, we must determine how best to protect patients.

The CMA is looking at these issues right now as it works to develop a research paper on the relationship between the public and private health-care systems in Canada.

Our focus is on improving the system we have by meeting the timelines for pan-Canadian wait-time benchmarks and by increasing the numbers of doctors and nurses and other personnel.

Health-care providers are doing their part. We want to work with anyone and everyone willing to fix the system. And we want to work with you!

When I started this speech, I may have left you with the impression that the youngster I mentioned was a combination of many of the children I have seen over the years.

Actually, his name is Ryan and he is very real. I am also proud to say that Ryan is here with us today.

Recently, I had the great, great pleasure of seeing him again. He told me that he is now a medical student at McMaster University—a future colleague in training!

Ryan—the future face of medicare—persevered through his ordeal as an infant, as a child and as a teenager and is now seeking to give back. Ryan knows about not taking your eyes off your goals. I ask you to join me in acknowledging Ryan for his commitment to medicine, for his commitment to making a great country even greater. For simply being with us.

I asked Ryan to come here today because I wanted you to see what I and other doctors see. There are real people behind the statistics with real-life problems. Real people who are owed real solutions, and not more words.

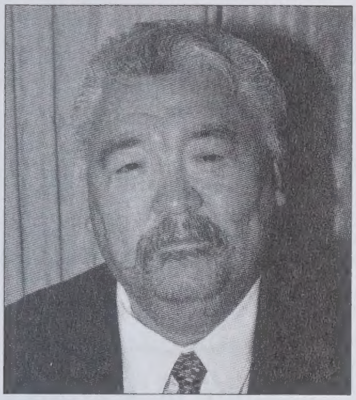
We owe that to the many thousands of Canadians sitting in hospital and waiting rooms right now, this afternoon, in every corner of Canada. They're wondering if they will get the timely care they need. We have to be able to get patients to the right place for the right care when they need it. We owe that to ourselves as a nation. Canada should not be falling behind in the things that count.

If we are to be a great nation once again, we all have a responsibility to one another.

We urge you to join with us so that Canada may once again claim greatness for Ryan, and for all like Ryan, who need our help; they have no more time to wait.

Thank you.

The appreciation of the meeting was expressed by Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada.



October 13, 2005

Jose Kusugak

President, Inuit Tapiriit Kanatami

ONGOING CHALLENGES FOR THE INUIT PEOPLE OF CANADA

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Kamal Hassan, Director, The South-East Asia Group, and Director, The Empire Club of Canada; Natalia Ignatenko, Grade 12 Student, Earl Haig Secondary School; Rosemary Waterston, Founder and Director, The Seltzer-Chan Pond Inlet Foundation; Philippe Delacroix, Consul General of France in Toronto; Jocelyne Soulodre, President and CEO, Canadian Council for Aboriginal Business; Paul Wells, Senior Political Columnist, Maclean's Magazine; John Longbottom, Native Child and Family Services of Toronto, Aboriginal Market Development Executive, IBM Canada; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; Greg Missal, Vice-President, Government and Regulatory Affairs, Tahera Diamond Corporation; Roberta Jamieson, CEO, National Aboriginal Achievement Foundation; and Clint Davis, National Director, Aboriginal Banking, BMO Bank of Montreal.

Introduction by William Whittaker

For five thousand years, the people and culture known as the Inuit have occupied the vast territory stretching from the Chukchi

Peninsula of Russia, east across Alaska and Canada to the southeastern coast of Greenland. In this geographic region known as the Arctic, Inuit culture developed and their history unfolded.

The Inuit are a founding people of Canada and their history is an epic tale of human settlement and the endurance of culture. Their compelling life story has been well-chronicled, perhaps no better than by Farley Mowat in his two seminal works "People of the Deer" (published in 1952) and "The Desperate People" (published in 1959) which tell the story of the Ihalmuit—"the people from beyond"—who inhabited the barren lands of central Keewatin District, now Kivalliq. In these books, he details the Inuit culture, their reliance on a single resource for income and the devastating impact of market collapses and the impact of European institutionalization, particularly residential schools. I would like to quote from the ending of Mr. Mowat's recent book "Walking on the Land" (published in 2000) which updates his two earlier books and which is quite profound in its interplay between traditional and more modern Inuit life. In this quotation, Elisapee, a contemporary Inuit is mourning the death of her uncle Ohoto who had led a more traditional Inuit life.

"He was my uncle, you know, and sometimes the only one I felt close to in Arviat. I loved him very much. When I felt real lonely, as if I didn't belong there because I had been south for so long, he would be kind to me and make little jokes with me…so I loved him, but I guess not enough, because one winter night he went away…

"He was completely blind by then. He and Nanuk had separated because he didn't want to be a trouble to anyone and he felt he wasn't able to look after things…

"Then one winter night, he went out of the community, got lost and froze to death...That is what the police say happened…

"My uncle did not get lost! He went walking on the land…"

Contact between the Inuit and the Europeans began in the late 1500s when the first Europeans sailed into Davis and Hudson Straits and Hudson Bay. Between the arrival of Martin Frobisher in 1576 and the famous disappearance of Sir John Franklin in 1848, 22 European explorers entered Inuit territory.

With each trip, the map of the Arctic became more Europeanized with Inuit lands being claimed by Europeans. Now, some 400 years later, Inuit lands and resources along with the Inuit's right to control them within the framework of the Canadian Constitution are being returned to them, a process officially recognized on April 1, 1999 with the creation of Nunavet.

Having spent the past 35 years settling comprehensive land claims agreements and establishing various self-government regions, the Inuit of Canada now collectively manage over $1 billion in capital and own several companies that provide thousands of jobs to Canadians. Inuit are full tax-paying citizens of Canada and live in municipalities not reserves. Today, Mr. Kusugak, as President of the Inuit Tapiriit Kanatami, which literally translated means "Inuit are united in Canada," will deliver a state of the union address on the place of the Inuit in modern Canada.

Mr. Kusugak's resume states he was born in an igloo at Naujaat (formerly Repulse Bay) in 1950 and is one of 11 children. He first became involved with the Inuit Tapiriit Kanatami (then the Inuit Tapirisat of Canada) in the early 1970s working on the standardization of written Inuit and chaired the language standardization program from 1974 to 1977. From 1980 to 1990, Mr Kusagak was Area Manager for the CBC in the Kivalliq Region of Northern Canada. From 1994 to 2000, he was President of Nunavet Tunngavik Inc., the Nunavet land claims organization. He was elected President of the Inuit Tapiriit Kanatami in June 2000.

Please join me in welcoming Jose Kusagak, President of the Inuit Tapiriit Kanatami.

Jose Kusugak

Thank you very much Mr. Whittaker.

That was a very kind introduction because my wife and my children will probably be watching and I have six grandchildren and one more coming. We are a very fruitful family.

It is nice to be here in Toronto at the Empire Club. If I am sweating, it is just because I was born in an igloo and under lights like this my pores open up every time.

In the more than 30 years that I have been travelling across Canada speaking to all kinds of people on all kinds of subjects, there is one common theme. Canadians are a fair-minded people. I believe as Canadians we believe in fair play. We certainly showed it in times of disaster like the tsunami last December, hurricanes Katrina and Rita and the earthquake this week in Pakistan. We showed it 25 years ago during the Ethiopian famine. In fact the Inuit of Canada on a per-capita basis were the largest donors during that horrible crisis.

It is easy to find fairness and sharing in times of disaster. I regret to say it is harder to find those values in the day-to-day politics in Ottawa in determining our place in Canada and to ensuring a fair quality of life and standard of living for our people. Bob Dylan said it well: "We live in a political world." In the political arena it is not Inuit who write the rules or have home-ice advantage or first pick in the great political draft. This is not a complaint. This is fact. But what we can do is get the crowd on our side because in the end it is about Canada.

Inuit, the people I serve, are the Aboriginal people of Arctic Canada. Until 30 years ago we were known as Eskimos, but in our self-determination struggle we insisted that we be identified in our own language as Inuit. We have created a saying to describe our place in Canada, which is "first Canadians, Canadians first." We think our connection to Canada is clearly stated in our logo—four Inuit representing the four Inuit regions surrounding the maple leaf in the middle shown in snow white. Canada is reflected in the name of our national organization, which we changed at our 30th anniversary to Inuit Tapiriit Kanatami. I was impressed by how quickly Canadians learned and embraced the three Inuit words—Inuit which means "people," Tapiriit which means "are united" and Kanatami which means "in Canada." Inuit are united in Canada.

We live in 53 communities across an area that covers more than a third of Canada. With only two exceptions our communities are only accessible by ship or aircraft. We are one people divided by modern political boundaries from east to west—Nunatsiavut (Labrador), Nunavik (Northern Quebec), Nunavut (the new territory) and the Inuvialuit Settlement Region in the Northwest Territories. These regions also reflect the four comprehensive Inuit land claims and indeed, to understand the Inuit place in Canada, you have to understand something about the land claims that are the foundation for our relationship with the Government of Canada. They were signed in 1975, 1984, 1993 and 2005.

These four agreements vary in size and complexity and reflect the interest of each region. They confirm land ownership for about 10 per cent of the region and financial compensation for land, resources, and Aboriginal rights surrendered. From the Inuit perspective it means for about one and a half billion dollars our negotiated claims cover one-third of Canada's rich untapped natural resources. We negotiated those claims. Some of them took more than 30 years to settle. We fought hard for what we have and mainstream Canadian public opinion has a direct bearing on our success. We were young baby boomers with our hunter trapper elders who together went head to head with government at a time when there were no books on how to settle these claims.

Canadians didn't think it was fair that all of our lands and all of our rights could or should be taken away. We think we gave up a great deal in those settlements but at the end of the day it was our choice and we believe all the settlements are fair for both sides.

I know there are bankers in this room, and I can point to a few, who are aware that capital is managed by our department corporations, much of it invested in stocks, bonds and money markets. Some has been invested in regional companies such as marine and air transportation companies, which provide much-needed jobs and training for our people. The result is that the Arctic is open for business. Falconbridge and Inco have negotiated partnership agreements with Inuit for nickel mines in Northern Quebec and Labrador and Inuit are looking at other mining possibilities including diamonds and the Inuit of the Western Arctic have long recognized the economic opportunities associated with the construction of the Mackenzie Valley natural gas pipeline. They play a prominent role in working with government, industry and Aboriginal communities to advance the project in an environmentally and socially responsible manner while ensuring it provides meaningful and ongoing economic benefits to the Aboriginal peoples along the pipeline route.

Although the federal government has been both financially and politically supportive of this project, it must continue to be vigilant in monitoring its progress and the competing Alaskan pipeline project and willing to take the necessary measures to ensure the Mackenzie Valley pipeline is not unnecessarily delayed or jeopardized.

I think that it is important for people to understand what the land claims don't do. Inuit issues were not settled once and for all with the signing of the claims. And the Inuit land claims are not designed to replace or provide for basic services that all Canadians are entitled to. What is not in the claim includes health care, education, housing, economic development and training, national transportation, infrastructure and environmental protection; everything that is associated with one's basic rights as Canadians and one's basic responsibilities as Canadians including taxes.

Inuit are taxpayers and always have been. In deciding to work with public government such as the provinces, territories, and municipalities we also pay the same taxes all Canadians love so dearly such as the GST, PST and income taxes. We pay the same taxes but we are not taxed equitably or in my view fairly.

Because of distance and transportation costs, most goods and services cost three times higher in the Arctic communities than in the South. First we pay the GST on the primary product. We pay again for the higher fuel costs and transportation taxes. In the end we pay three or five times more tax than southern Canadians for the same product. For example, a piece of four by eight plywood that costs $22.47 at Home Depot here in Toronto costs $140 by the time it is shipped to a particular Arctic community. Inuit are paying just over $22 GST and PST on the $140, not $3.50 on the $22.47.

People in southern Canada have just got a taste of higher gas prices going up to $1.40 per litre in many places. They have always been that high in the Arctic regions and they are not going to go down. In the past few weeks, people have been sending us pictures of costs of food in their communities. Here are some juice prices in Pond Inlet. Fruit punch at $41.69, Kool-Aid at $52.49 and milk at $12.99. Potatoes, and these are pictures I took myself in Rankin Inlet at $19.99, when you can get the same amount of potatoes here in Toronto for $0.99. Eggs at $6.75, barbecued chicken at $14.99, and so on.

Inuit know we have the highest cost of living in Canada. We are all outraged at the sponsorship scandal and blatant waste and corruption. The federal government spends $7 billion a year on Aboriginal people. The Department of Indian Affairs alone spends about $5 billion a year, yet we can't see how much of that is spent on Inuit and whether that is fair when compared to Indians or other Aboriginal people.

Let me paint for you a painful but fair picture of what's happening in some of our communities and what we are trying to do to change the situation.

We have a housing crisis so severe that it will cost more to correct than the cost of settling our land claims. We have a housing emergency due in part by the department's decision 10 years ago to withdraw from providing public housing for Inuit. The other reason is our high birth rate and population boom. The unemployment rate in most of our communities is the highest in Canada. You saw evidence of our cost of living and our average annual wage is far below the national average. We have overcrowding in our communities. We have hidden homelessness and we have a growing population of Inuit youth who have little hope in their lifetime of ever getting their own home because our waiting lists are way too long. When we were going to a restaurant last night we saw some homeless people around the hotel. Here they can actually live outside all year over some heat vent and so on. We can't have that in the Arctic so any homeless person has to go into a house and live with other people so homelessness is hidden.

On top of this, our environment including our fish and wild life that we depend on for most of our diet and very survival is threatened. Almost every day now we see scientific reports confirming the Arctic ice is melting. Wild life habitats are shrinking, global warming and climate change is happening now in the Arctic, so what are we doing about it? We are doing the only thing we can. We are working within the system to bring about change. We are trying to point to the government the folly and unfairness of many of their approaches and policies.

The Department of Indian Affairs spending estimate contains a line that says Aboriginal people will enjoy a comparable standard of living in two generations. That's 50 years. We say that is not fair play and not acceptable. Yesterday, I met Premier Gordon Campbell in Ottawa. He agrees it is not acceptable either. We are on the same page and we will be telling the Prime Minister and the premiers at the First Ministers' meeting on November 25 in Kelowna that we need a 10-year economic development initiative for Inuit. Ten years, not 50 years.

We are looking for a clear and substantial financial commitment and investment into new housing programs and education. Inuit will continue to remind the Prime Minister of his statement the first time he met with us that Canadians' treatment of Aboriginal people has been "shameful" and we must now turn that around and build a new relationship in what he has called transformative change.

It's now been more than two years of process and promise. I must say I am encouraged by the effort made by the current Indian Affairs Minister Andy Scott who I believe is committed to bring about fairness for all Canada's Aboriginal peoples. He is the first minister in a very long while to set Inuit bearing on his compass. I wish more people in the federal government would have a compass that points north. I believe Mr. Scott and I share a mutual challenge.

We have a federal bureaucracy that year after year continues to spend millions of dollars on Aboriginal peoples, but it has failed to close the socio-economic gap between Inuit and the rest of Canadians. It is not unfair for all Canadians to demand better accountability and it certainly is not unfair for Inuit and other Aboriginal people to expect better. I have said over and over we believe we are facing a total economic emergency in the Arctic. We believe in the interest of fairness. Canada must respond to address that emergency. We believe fair-minded Canadians also demand it.

Recent disasters around the world have illustrated the basic needs of every human being—food and shelter. You have seen our food costs are double and triple what you pay here in Toronto for example and our homes are overcrowded. Inuit were contributors to Canada's gross national product during the fur trade and I was born into that even though we were living in igloos at the time. My father and my mother were both working at the Hudson's Bay Company.

We want to contribute again in the knowledge economy but we can only do so as healthy people with sound homes. From fur trade to e-trade we are not looking for handouts. I think in biblical terms we need fish-nets and knowledge and not necessarily fish because there is still a lot of fish in the Arctic. Thank you.

The appreciation of the meeting was expressed by Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada.

October 27, 2005

Richard E. Waugh

President and CEO, Scotiabank

CANADA NEEDS MORE OF THE WORLD

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, APR, Fellow CPRS, Partner, Mindszenthy & Roberts Corp., and Immediate Past President, The Empire Club of Canada; Ira Bernstein, Grade 12 Student, North Toronto Collegiate Institute; Grant Kerr, Pastoral Staff, St. Paul's United Church, Brampton; Georgina Steinsky-Schwartz, President and CEO, Imagine Canada; The Hon. Barbara McDougall, Advisor, Aird & Berlis, and Former Cabinet Minister; William A. Mackinnon, CEO, KPMG; Rocco Rossi, CEO, Heart and Stroke Foundation of Ontario, and Director, The Empire Club of Canada; Douglas McCuaig, Senior Vice-President and General Manager, Greater Toronto Area and Atlantic Canada, CGI Canada; Helen Burstyn, Chair, Trillium Foundation; and Robert Courteau, President and Managing Director, SAP Canada Inc.

Introduction by William Whittaker

Mr Waugh is the fourth speaker in our "Bankers Speak" series sponsored by SAP Canada Inc. Our previous speakers spoke about Canadian banking from a Quebec perspective and a foreign bank perspective. Today, Mr. Waugh will speak about the impact of globalization on Canada and the Canadian banking system.

Before introducing Mr. Waugh, I would like to quote the following passage from Stephen Leacock's well known humorous essay on Canadian banks entitled "My Financial Career":

"When I go into a bank I get rattled. The clerks rattle me; the wickets rattle me; the sight of the money rattles me; everything rattles me...

So I shambled in and looked timidly around at the clerks. I had an idea that a person about to open an account needs to consult the manager.

I went up to a wicket marked 'Accountant'... 'Can I see the manager?'...

'Certainly,' said the accountant and fetched him.

'Are you the manager?' 'Yes,' he said.

'Can I see you,' I asked, 'alone?'

'Come in here,' he said, and led the way to a private room.

'I have come to open an account. I intend to keep all my money in this bank.'

'A large account, I suppose,' he said.

'Fairly large,' I whispered. 'I propose to deposit $56 now and $50 regularly.'

The manager got up and opened the door. He called the accountant.

'Mr. Montgomery,' he said unkindly loud, 'this gentleman is opening an account; he will deposit $56. Good morning.'"

The stereotypes of Leacock's day—the lordly bank manager, the compliant teller and the humble customer—no longer apply in present-day Canadian retail banking (although some may argue they still apply to business banking). Today, retail customers interface with their bank via the Internet or bank machine and rarely visit their branch in person. In addition, bank powers have expanded considerably since Stephen Leacock's time. In the 1960s, Canadian banks received the power to lend to individuals, which led to a broad expansion of their branch networks. In the 1980s and 1990s, the banks were given the right to purchase brokerage and trust companies, which has resulted in the full spectrum wealth management institutions we know today.

The Bank of Nova Scotia or to use its acronym, "Scotiabank" (acronyms are so de rigueur today!), predates Canada. It commenced operations in Halifax in 1832 to facilitate transatlantic trade between Britain, North America and the West Indies. Beginning in the 1880s, the bank expanded westward across Canada, resulting in a coast-to-coast branch network by the early 1900s.

With the deregulation of financial services in the late 1980s and '90s, the bank diversified through major acquisitions including the investment dealer McLeod Young Weir and trust companies, Montreal Trust and National Trust. The most international of Canada's major banks, the Bank of Nova Scotia, opened a branch in Kingston, Jamaica, in 1889 which has evolved into a network spanning 25 countries throughout the Caribbean and Central and South America, making Scotiabank the largest Canadian bank in this region. The bank also provides international commercial, corporate and trade finance banking services for its business customers.

Richard Waugh became Chief Executive Officer of the Bank of Nova Scotia in December 2003, having begun his career with the bank in Winnipeg in 1970. From 1985 to 1993, he was chief of the bank's U.S. operations and played a pivotal role in its development there. From 1993, Mr. Waugh had increasing responsibilities for the bank in corporate banking, international banking and wealth management. He is part of the Winnipeg mafia in Toronto and rose to prominence via the bank's banking operations and not its brokerage business, much to the relief of the bank's shareholders, given the recent experience of certain other Canadian banks.

Please note these last remarks are mine and are not included in Mr. Waugh's biography!

Ladies and gentlemen, please join me in welcoming Richard Waugh, President and Chief Executive Officer of the Bank of Nova Scotia.

Richard Waugh

Thank you very much, Bill. It's a pleasure to be here at the Empire Club today.

It's a particular pleasure for me to be here representing Scotiabank. While many people know us as the bank around the corner here in Canada, not as many know we're also a bank around the world. In fact, we're Canada's most international bank, with more than 50,000 employees serving 10 million customers in some 50 countries.

In the U.S., we focus on corporate and investment banking. We have long-standing relationships with many Fortune 1000 companies—built over the past 30 years—that are a solid base for future growth.

Importantly, we have a significant presence in Mexico, through Scotiabank Inverlat. Scotiabank is a major bank in Mexico, with more than 400 branches and almost 7,000 employees.

We're the leading and largest bank in the Caribbean and the oldest bank in the Dominican Republic, with more than 80 years in the country. Last year, we celebrated our 115th anniversary in Jamaica. We are the only large international bank with a presence in four of the seven countries in Central America: Panama, Costa Rica, Belize and El Salvador. In fact, we have a 17-per-cent market share in El Salvador.

In South America, Scotiabank has full operations in Chile through our subsidiary, Scotiabank Sud Americano, and we also have affiliates in Peru and Venezuela and a representative office in Brazil.

And we're in nine countries throughout Asia, including China and India, with a history of 25 to 30 years in most of these countries.

Again, what many people don't realize is that in most of the countries where we operate, we're not seen as a global bank, but rather as a local bank. We employ people from the surrounding area, invest in the local community and provide day-to-day banking products and services, such as mortgages and chequing and savings accounts.

I mention all this as a backdrop to the comments I really want to make today, and to acknowledge my bias, because my message for Canada and Canadian businesses is a simple one. I'm borrowing a point here that the Globe and Mail's Jeffrey Simpson made. That is, you may have heard the Chapters slogan: "The world needs more Canada." Well, what I want to talk about today is the other side of that same coin. Canada needs more of the world.

Never has it been more important for our country—our businesses and our government—to be embracing internationalism.

My first point is that key trends of globalization—the extraordinary growth of emerging markets, changing world demographics and global consolidation—are forever changing the world's economic landscape.

My second point is that we, as business leaders and as a country, need to recognize these trends and embrace the opportunity they present, or we—our country and our companies—risk being marginalized in our ability to compete and to enhance our productivity. And given the political realities in Ottawa, and the related lack of serious policy development, business is left on its own and must assume a leadership role and take the initiative.

My third point is one of caution and the need to focus. I very much support the view that globalization, which includes the enormous markets of China and India, is our future. But I believe the near-term opportunity for us, here in Canada, is closer to home, specifically in the Americas.

What I'd like to do this afternoon is discuss these trends and talk about what they mean for all of us. And as I said, my main conclusion is that Canada needs more of the world.

Let's start with globalization.

As the Pulitzer Prize winner and New York Times journalist Tom Friedman's latest book says, "The world has become flat, everyone is at the table as competitors, customers, suppliers, no matter where you call home."

In recent years, globalization has been driven by the warp speed of technological change, driven by the Internet and the digital world, particularly the effect of telecommunications, its rapidly falling cost and its availability to everyone—small and large countries, big companies and small companies, and now to individuals almost anywhere. All of this requires an unprecedented degree of co-operation to capitalize on the flow of trade and investments and, importantly, information. An unprecedented degree of collaboration among countries, companies and individuals is needed to succeed.

Consider that between 1995 and 2003 global cross-border capital flows more than tripled to $4 trillion annually. Foreign holdings of financial assets are increasing almost everywhere. International issues of corporate debt are growing more than three times as fast as domestic issues. Global liquidity is crossing almost all boundaries.

The emergence of rapidly developing countries on the world economic stage is a tremendous phenomenon. The firm Mercer Oliver Wyman estimates that the economies of Brazil, Russia, India and China could be half of the size of the G-6 by 2025, versus just 15 per cent today.

Countries that were largely closed are now embracing the global economy and increasingly have the means to do so. This is not only led by government policy or direction, but by individuals acting independently, accessing the available technology as I mentioned—the Internet and other telecommunications—and interacting with the world.

Overall price trends are being shaped more and more by what is happening on a global context in terms of both supply and demand. More and more production of goods and tradable services is gravitating to low-cost regions, forcing structural changes in economies far away, like Canada's.

One obvious example of emerging market influence is the growth of outsourcing and offshoring.

In financial services, for example, an increasing number of firms are taking advantage of this new reality by shifting and redirecting many of their costs and services offshore. Some estimates indicate that up to 20 per cent of financial services' global cost base will shift offshore by the close of this decade.

Another key trend besides globalization that will propel businesses towards markets outside Canada—especially emerging markets—is demographics. The world population is undergoing a massive demographic shift. Not only is population growth slowing, but the age structure of the population is changing. The story quite simply is about an aging population and aging work force in the developed world—a Baby Bust—and a younger population entering the work force in developing markets.

In countries such as ours population aging is well under way, whereas in Latin America, for example, the transition is less advanced and the working age population will continue to grow. Let's turn to Mexico as an example. It has by far the most youthful population in North America, with a median age of just 22, compared with 35 in the United States and 38 in Canada.

What does all this mean? It means there is a good chance we will see significant changes in saving and investment balances, with younger populations tending to consume and borrow more and save less.

Obviously, this development can have a tremendous impact on capital flows and wealth and business opportunities for all of us. For countries with increasing working age populations and consumption, it will lead to stronger per-capita GDP growth in these regions, in essence, a rebalancing of growth to countries with younger populations.

This demographic reality is also part of the underlying rationale for businesses looking to expand in emerging markets. Young people, as they enter the economic sector, consume. They will buy technology products and appliances—stoves and fridges—then cars and finally homes. As such, economies with young populations are very appealing. This is a key factor in the overall attractiveness of the Americas.

The third major trend I want to touch on, really a reaction to globalization, is the re-emergence of consolidation. Global merger and acquisition activity is on the rise. The value of worldwide mergers and acquisitions increased by almost 50 per cent in the first three quarters of 2005, compared to the same period in 2004.

In the global banking industry, mergers and acquisitions more than doubled from 2002 to 2004, reaching more than $230 billion in terms of the value of the deals. And consolidation today is shaping up differently. The global merger boom of the late 1990s was largely the result of domestic, in-market mergers.

Now, more businesses are looking to international expansion in the pursuit of growth and many, such as Scotiabank, with a particular emphasis on acquisitions in emerging markets.

The need for scale to compete internationally is a key factor in driving consolidation. Turning to banks again—and I can't help myself here—a recent Bank of Canada report confirms that Canadian banks could find significant economies through consolidation. They also found that larger banks were more efficient than smaller banks over and above the benefits of scale. Other efficiencies from size result from management skills and the speed of adopting new technologies.

How important to Canada is it that we ensure we turn around what has now been established as declining relative productivity? It's essential if we want to succeed in a global world.

So globalization is positive in supporting strong trade flows and generating wealth, creating great opportunity. But let me turn to my final point, which is one of caution. While globalization is an ongoing process, we're seeing an increasing degree of regionalism. In my view, this is in reaction to the difficulties in negotiating a multilateral agreement on world scale, or more precisely, the absolute lack of momentum with the Doha Round of world trade talks.

Now I fully support the concept of multilateralism at the broadest level and the World Trade Organization. But it's pretty hard to get 130 people to agree to something as complex as trade issues, let alone the 130 countries involved in this round of the WTO talks.

The reality is that this makes regional level agreements that much more appealing. Why should a country like El Salvador wait for a global agreement that may never come? Why should it wait when it can sign CAFTA—the Central American Free Trade Agreement—with other Central American countries as well as the U.S.?

More and more countries are turning to regional trade deals to secure access to markets. You can understand why when you look at the success of our own. The North American Free Trade Agreement was a watershed for Canada, the U.S. and Mexico, and a great example of this. Since the agreement came into force in 1994, trade among the three countries has more than doubled to over US$650 billion a year.

Regionalism is why we're seeing cross-border trade expand. In fact, cross-border trade has been expanding at a faster pace than Gross Domestic Product in recent decades. And its direction is largely north and south.

Trade within the various regions—the Americas, the Euro zone and Asia—will continue to be the driving force of global economic activity.

Over the last decade, we've seen the European countries significantly align themselves regionally in the European Union. CAFTA, which I mentioned, is another regional trade agreement that was recently signed in Central America. As we speak, the Asian economies are looking and acting upon how they can better integrate to establish themselves on a more regional basis.

This is not to suggest globalization—and the incredible potential of China, India and other markets—should be ignored. Quite the opposite; ignore these markets at your peril. But the real growth opportunities today for Canadian business exist in the Americas. These other markets are still a few years away in terms of significant, sustainable returns for foreign investors.

And more important, regardless of whether the WTO falters or not, Canada had better have a strong position to compete against these new regional forces. Our Canadian position should focus on this hemisphere as our first priority, given NAFTA, and our greater potential for influence in the Americas with the relatively large size of our economy in the region. We need to better align ourselves within our hemisphere.

We need to have clear priorities. Canada has talked about diversifying trade away from the U.S. for decades, such as the "Third Option" proposal put together by Mitchell Sharp in the early 1970s. But we haven't been successful, in part, in my view, because we've not had the focus necessary to achieve more or to take advantage of opportunities elsewhere.

So while there is a need to build on our relationship with our largest trading partner, there is a need to expand our regional trade ties. And that focus should be the Americas.

We need policy that is committed to ensuring we have world-class and world-size companies to compete and grow. There are clear areas of advantage we have as a country, such as energy, transportation and financial services, which should be supported in terms of their ability to grow in key international markets. Good policy makes good politics, so I hope our government leaders take notice.

Our bank is playing a part by supporting growth of businesses into new markets, in particular Mexico, a key market for us and a real opportunity for Canadian business.

In September this year, we realigned our Mexican wholesale banking operations, bringing them under the Scotia Capital banner. No other financial institution in Canada or indeed internationally can provide the depth of service to large corporate, government and investor clients that we now have under one roof across the NAFTA region.

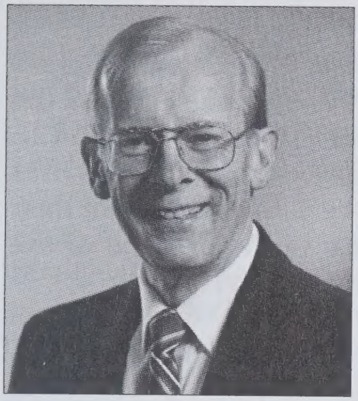
This month, we also launched our Global Transaction Banking unit, which provides comprehensive, integrated business solutions to multinational importers and exporters, again in the NAFTA region. And we plan to expand to other regions in the future.

This probably sounds like a self-serving advertisement and shameless self-promotion, and it is! But I also use it as concrete and demonstrable evidence of what Canadian business has to do to grow and succeed globally, as well as to grow and enhance our productivity here at home.

As I said at the outset, Canada needs more of the world. Scotiabank has a strong international focus. We see and believe in the tremendous opportunities for growth in international markets. But there's a need for more Canadian businesses to seek growth in international markets. Today, the Americas offer the greatest opportunity for immediate success.

I'm hopeful that as Canadians we will do just that; that we will recognize and seize the opportunities because not only does the world need more Canada, we need more of the world. Thank you.

The appreciation of the meeting was expressed by Rocco Rossi, CEO, Heart and Stroke Foundation of Ontario, and Director, The Empire Club of Canada.



November 3, 2005

Clive Mather

President and CEO, Shell Canada Limited

TECHNOLOGY IN THE OIL INDUSTRY: WHAT'S NOW AND WHAT'S NEXT?

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Kitty Ma, Grade 12 Student, Riverdale Collegiate Institute; Reverend Chris King, Incumbent, Little Trinity Anglican Church; John C. Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada; David Linds, Senior Vice-President, Business Development and Client Relationship Management, CIBC Melon Trust; The Hon. Jake Epp, Chairman, Ontario Power Generation; Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Dr. David Wheeler, Director, York Institute for Research and Innovation in Sustainability (IRIS), Erivan K. Haub Professor of Business and Sustainability, Schulich School of Business, York University; Caroline Di Cocco, MPP, Parliamentary Assistant to the Premier, Government of Ontario; and Daniel Barclay, Managing Director, BMO Nesbitt Burns.

Introduction by William Whittaker

The late Anthony Sampson in his 1975 book "The Seven Sisters—The Great Oil Companies and the World They Made" details the evolution of the big oil companies from the time of John D. Rockefeller and the Standard Oil Company. Mr. Sampson writes about the impact on these companies of the nationalization of their sources of supply in the Middle East and elsewhere and of the founding of OPEC. It is a compelling read even today.

Mr. Rockefeller and Standard Oil have not only become part of business folklore but also of investigative journalism folklore. Ida Tarbell's "The History of the Standard Oil Company" published in serial form in McLures Magazine between 1902 and 1904 was ranked by the New York Times as one of the top journalistic works of the twentieth century. Ms. Tarbell had this to say about Mr. Rockfeller:

"Who then is this John D. Rockefeller? Whence did he come? By what qualities did he grow to such power? Has he proved his right to power? Does he give the public from whence he has drawn his wealth a just return in ideas, in patriotism, in devotion to social betterment, in generous living, in inspiring personal character?"

These are questions asked of the big oil companies today. The Seven Sisters are now thanks to mergers four—Exxon Mobil, Chevron, British Petroleum and Royal Dutch Shell, Shell Canada's parent company. In large part, public opinion in the West is that big oil maintains its trust with the public and that shareholder-owned companies and the market economy are still the best mechanisms to allocate scarce oil resources.

However, not many consumers understand the dynamics of retail gas pricing! My personal experience in Toronto is that the lowest gas prices are late Wednesday evening after one has filled up following the previous weekend's activities and before one remembers to fill up for the coming weekend!

Shell Canada Limited, which has a public shareholding of 22 per cent, is one of the largest integrated petroleum companies in Canada, producing natural gas, natural gas liquids and bitumen. It is Canada's largest producer of sulphur and is a leading manufacturer, distributor and marketer of refined petroleum products.

Shell Canada is also a significant investor in the Alberta Oil Sands. It has over six million barrels of recoverable bitumen in its Arthabaska leases, which could ultimately support over 500,000 barrels of oil per day of production and Shell Canada recently announced plans to achieve this goal. The international community is finally recognizing the potential of the Alberta Oil Sands, which were discovered by Samuel Hearne in 1771.

Mr. Mather will address us today on technology in the Canadian oil industry from Shell Canada's perspective. I am advised he will not be commenting on Shell Canada's retail gas pricing strategies!

Clive Mather was appointed President and CEO of Shell Canada Limited in August, 2004. His 36-year career with Shell has spanned all its major businesses, including assignments in Brunei, Gabon, South Africa, the Netherlands and the United Kingdom. Mr. Mather's last position was Chairman of Shell U.K. Limited and he has previously held senior management positions with Group responsibility for Information Technology, Leadership Development, Contract and Procurement, e Business and International Affairs.

Mr. Mather is currently a director of Placer Dome Inc. and the C.D. Howe Institute. He is Chair of the U.K. Government/Industry Corporate Social Responsibility Academy and of the IMD Business Advisory Council in Switzerland. He is also a Companion of the Chartered Management Institute and a Fellow of the Chartered Institute of Personal Development and of the Royal Society of Arts.

Please join me in welcoming Clive Mather, President and Chief Executive Officer of Shell Canada Limited.

Clive Mather

In spite of ugly rumours to the contrary, I was not around in 1919 when an ox named Nig set out for the Northwest Territories with six drillers and a geologist. Over six weeks, they travelled 1,900 kilometres by rail, riverboat and on foot to reach what is now known as Norman Wells along the Mackenzie River. Nig helped the crew build a log house and install the drilling rig, only to be slaughtered for meat and clothing during the long, cold winter. I would call that optimal resource utilization and recycling that was way ahead of its time.

In 1994, author and futurist Alvin Toffler, who wrote "The Third Wave" and "Future Shock," called technology "the great growling engine of change," which sounds rather menacing. While some people believe we have unleashed a dangerous force on society, I think most of us would agree with his statement that, "Technology feeds on itself. Technology makes more technology possible." And my hope today is not that anyone leaves here with a deeper technical understanding of why this is so. Rather, I would like everyone to leave with a sense of what technology in the oil industry has done, is doing and will do in our lifetime. And if you feel just a little more enthused, even inspired by some of the remarkable developments, then I will be more than satisfied.

So let's start at the beginning. One of the greatest technological advancements in history was the development of the wheel in Mesopotamia about 5,500 years ago. So what's new about that? Well, it has never stopped evolving and, in the development of the Alberta oil sands mining, we use the largest trucks in the world to remove huge quantities of ore quickly and efficiently. Each truck is as high as a two-storey house and weighs 900 tons when full. They sit on tyres that are 12 feet in diameter and weigh about 15 tons each. Some wheels! The tires alone cost $40,000 each and last just a year or so before they are recycled as cattle feeders and playground features, as well as perimeter "fences" at our sites.

And where would the oil and gas industry—or any other industry, for that matter—be without the computer? The computer has a long history, starting from the abacus dating from around 750 BC. In 1989, Tim Berners-Lee is credited with inventing the World Wide Web and the rest, as they say, is history. The Web practically runs our lives with millions and millions of users and uses. Today, Shell's laptops and desktops are part of a global network of more than 120,000 devices that all connect in one integrated design—same laptops, same programs, same security, same mobile connections in every part of the world.

So, here is the first key point: even the oldest known technologies keep evolving to where they are almost unrecognizable from their origin. So what propels this change? What drives technology in the oil and gas business? Well, certainly the physical challenges of nature—oil and gas are often found in wild and difficult places—but also safety, competition, cost, the consumer and the environment. Let me give a few examples.

Every motorist likes to drive his car as reliably, efficiently and cheaply as he can. And the racetracks of Formula 1 provide the ideal test bed for the most extreme driving conditions. And it's here with Ferrari that we developed Shell V-Power™, our latest premium gasoline for Canadian motorists. It's quite a fuel and is helping drivers improve their performance all around the world.

Mind you, even the mighty V-Power™ is no match for special fuels under competition conditions. Shell's annual Eco-Marathon has already achieved a world record of over 3,000 kilometres per litre (10,000 miles per gallon). To be fair, these are very small cars, with tiny engines driven by very small people—usually school kids—but they show what can be done. It's a little better than the average 5.3 to 7.1 kilometres per litre (15 to 20 mpg) in today's family vehicle and I am sure is an indicator of what can and needs to be done to improve mileage efficiency and reduce greenhouse gas emissions.

Let us turn from small drivers to big rigs. Only two weeks ago, I was at our Peace River heavy oil operation in Western Alberta, watching a drilling rig move itself from one well site to another. This is a remarkable piece of equipment that weighs 1,400 tons and is able to lift itself up on six "legs" and, metre by metre, "walks" across prepared ground to a new location. It's fascinating to watch. Equally impressive is this rig's ability to drill one group (pad) of 16 wells so efficiently it takes many months less than a conventional drilling rig with savings of millions of dollars per pad.

I can think of many areas where research has reduced the environmental footprint of our operations, particularly in terms of energy consumption and emissions. A very recent one has only just been developed at CANMET's Western research centre in Devon, near Edmonton, Alberta, which relates to the treatment of bitumen. At the

Athabasca Oil Sands Project, where bitumen is surface-mined, the ore is broken up and mixed with warm water to form a slurry. In what you might call a giant washing machine, agitation and heat begin to separate the bitumen from the sand. This conditioned ore enters a separation vessel where bitumen froth floats to the surface. The froth is treated with a reusable solvent that separates out most of the remaining water and clay, and partially upgrades the bitumen. Shell Canada was the first and remains the only company to have commercialized this novel froth treatment process. Now, we have gone one better. With the development of high temperature froth treatment, the separation is faster and more energy efficient. It all sounds rather technical, but the point is that the new system greatly reduces greenhouse gas emissions and leaves a smaller environmental footprint.

Shell Canada's 2004 Tay River discovery in Alberta is another example of leading-edge technology at work. It took state-of-the-art seismic interpretation to identify reservoirs under heavy rock layers that we could never have spotted with earlier techniques. Then we used modern drilling techniques, which allow us to minimize the environmental impact. Directional or horizontal wells start by heading straight down, like traditional vertical wells. Then they turn and extend horizontally into the reservoir, which reduces the number of wells we have to drill. At Tay River, which is the largest natural gas find in Western Canada since 2000, the horizontal extension was 1.5 kilometres—almost 15 football fields laid end to end.

Another example of a pioneering technology is located in Ontario. Shell has a significant stake in the Canadian company Iogen Energy, which is producing ethanol from agricultural residues such as corn straw. The first pilot plant is already in production in Ottawa and a commercial scale facility is now being planned. The waste straw itself produces no net carbon and the overall carbon lifecycle emissions are reduced by 90 per cent, giving a healthy boost to the environment.

Beyond ethanol and other bio-fuels, hydrogen may yet emerge as a promising alternative to fuels based on hydrocarbons. Shell is investing in the development of fuel cell technology, not least here in Canada. There are already liquid hydrogen-fueling stations in Iceland, Japan and in Washington D.C., with more to follow. I do not want to suggest that we will all be driving with hydrogen fuel cells any day soon, but it is an important technology to follow.

I hope you see from this how Shell and, in particular, Shell Canada Limited demonstrate their technological prowess and indeed always have done during the course of our history. Now 94 years old, Shell Canada is a major integrated company with oil and gas plants, a fully integrated oil sands operation, three refineries and a Canada-wide network of retail sites. We are profitable, growing and at the leading edge of technology, and I believe those three things are closely linked. Shell Canada was the first company in Canada to recover sulphur from natural gas; the first to build an offshore semi-submersible drilling rig in Canada; and, closer to the consumer, the first to introduce tunnel car washes, make and sell unleaded gasoline in Canada, and launch "easyPAY™" so motorists can pay electronically at the pump. In all this, our association and close collaboration with Royal Dutch Shell plc has been invaluable. Research and development is a costly and complex challenge, so our major research centre in Calgary benefits hugely from being linked into colleagues at other Shell research facilities around the world.

All of this is new and exciting. But let me put it into a broader context. If I think back over my career of 36 years in the oil business, what have been the three most spectacular technological advances? I hasten to add this is a very personal view.

My first would be that today there are almost no known limits to exploration. Around 1860, Canadian oilmen in the Petrolia area of Ontario started to use the "pole and tool" method of drilling, where metal bits hanging from black ash poles were raised and lowered, punching through the rock. Canada exported this technology all over the world. It was effective under certain limited conditions, but by today's standards very primitive. Now we are able to drill in water depths of 2,000 metres and more, using complex well designs in some of the biggest seas and challenging Arctic winters. The deepest borehole drilled for scientific purposes measures over 12,000 metres and penetrates more than eight miles into the earth's crust in the northwestern part of the Baltic Shield. For practical purposes, a modern vertical drilling pipe can go 10 kilometres down and a horizontal pipe can deviate to distances of 10 kilometres from the rig. It is simply amazing technology that combines physics, astronomy, telemetry, meteorology, metallurgy, engineering, economics and human endurance. It has allowed us to open up the seas off Newfoundland and the frozen North.

My second choice would be modern conversion processes in our refineries and chemical plants. In 1846, Abraham Gesner of Nova Scotia developed a process to produce kerosene from coal. The process was revolutionary at the time, but today we can produce almost anything from anything. We can produce the most modern transport fuels from the treacly oil sands around Fort McMurray; gas from the heavy residue that is left behind; and even diesel fuel from gas. Shell has developed a Gas to Liquids (GTL) business that produces an ultra clean, colourless synthetic diesel from natural gas, which delivers ultra-low vehicle emissions without sacrificing performance. All conversion processes are costly, but the refiner's art with catalytic chemistry, high temperature, pressure and some extraordinary science can now deliver quite remarkable results.

And finally, I would point to the application of intelligent systems to almost every part of our business. Come to a modern manufacturing facility like Shell's Scotford Complex and you will find state-of-the-art control rooms where thousands of delicate and difficult processes are managed—safely, continuously and automatically. They optimise the cost, quality and quantity of production on technicolour display screens, which baffle me but fortunately not our technicians who watch over them. Come to our Athabasca oil sands and see the biggest earth-moving equipment in the world, full of sensing equipment linked to GPS, which enables us to not only optimise thousands of safe truck movements every day, but also to monitor the wear and tear on expensive machinery. Come to the Na Kika project in the Gulf of Mexico with a semi-submersible production facility in over 1,900 metres of water and see how we can manage oil and gas wells on the sea bed, with intelligent control equipment that avoids the need for expensive production platforms and personnel to be stationed on them. It is easy to take all this for granted, but the impact in terms of safety, cost and reliability is simply astonishing.

So what's next? What is coming up perhaps in the next 36 years or even less?

Let me start in Alberta with the now world-famous oil sands. Yes, the resources are enormous—estimates of 1.6 trillion barrels of bitumen. But, today, only a small fraction of this (about 300 billion barrels) are deemed recoverable using our present mining and in situ technologies. This leaves a breathtaking opportunity for future technology development, something Shell Canada has been actively pursuing for many years. Back in the 1920s, Dr. Karl Clark of the Alberta Research Council developed a hot water process to produce synthetic oil from surface-mined bitumen that is still more or less in use today. Of course, recovery techniques have become more sophisticated with the introduction of steam-assisted gravity drainage, soak radial wells and horizontal cyclic steam. Nevertheless, we are going to need some remarkable new technologies to extract the full riches of the Alberta oil sands, and I am confident they will be developed over time. Such is the world's need for energy and such is the scale of the resource, that there will be sufficient economic incentive to find new extraction methods that will release the bitumen to flow to the surface.

Secondly, what about exploration drilling? Right now, for example, Shell Canada is developing opportunities to produce basin-centred gas, or deep-basin gas. Using multi-disciplinary teams of geophysicists, geologists, reservoir engineers and production engineers, we are able to feed various types of data into a computer model that allows us to predict with greater accuracy large traps that have enough natural fractures to permit economical production. Yet for all our geological and geophysical knowledge today, our industry still has to drill to prove the existence of gas in commercial quantities. And you know what, our success rate is not very good. If we take all our various gas interests in the foothills of Western Canada, it is only about 25 per cent and it is lower still—just 10 per cent—in the Canadian frontiers and similar areas where we have less experience. All over the world, and not least offshore Canada, we can spend more than $100 million on drilling a hole, only to fill it with concrete. It may seem like a pipedream, but I have to believe that sophisticated satellite and terrestrial equipment will allow us to understand formations and reservoirs deep under the surface without the need to drill as often as we do today.

And finally, there is carbon dioxide (CO_2) capture on a scale that will drastically reduce greenhouse gas (GHG) emissions and even begin to wind back the combined impact of the last few hundred years of modern civilization. Shell Canada is already engaged in a project to capture CO_2 from our oil sands production and sequester it in aging oil fields. Not only can this use of environmental technology enhance oil recovery, but it can also help Canada meet its Kyoto commitment by significantly reducing GHGs. Now, CO_2 capture and sequestration are not new. But what is new is the commercial scale of the capture at the massive upgrading plant at Scotford and the concept of a common infrastructure that will enable other companies to join the project and sequester their CO_2 emissions. This is a bold and exciting project, but I believe only the first step towards a partnership between industry and government to advance recovery and sequestration in Canada.

I ended with an environmental theme, because one of our most pressing challenges is to leave a much smaller footprint as we explore for and produce Canada's resources. The development and application of new technologies is making this possible. Past technology helped us open up the industry. Present technology was largely geared toward profitability, efficiency and consumer appeal. But already it is turning towards sustainable development and reducing the environmental impact of our operations. In the future, I am sure this will be the focus of much of our technological investment.

If you sense my own interest and enthusiasm for technology as a means of sustaining our energy needs within ever-tighter environmental constraints, you would be right. But, of course, technology is only part of the solution. It needs people to invent it and people to exploit it. At the front end, we rely on multidisciplinary teams of scientists to imagine, develop and realise new technology. That, in turn, requires a steady flow of scientific and technical graduates from our universities and technical colleges. It may seem obvious, but encouraging talented young people to study these disciplines and build careers upon them is an important part of Shell Canada's Human

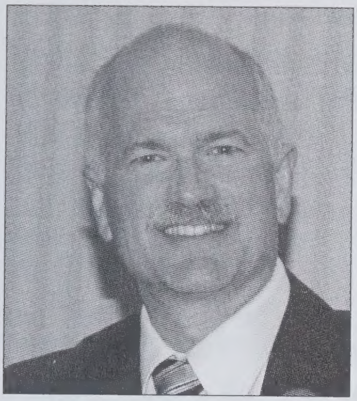
Resources strategy. We have teams of our most senior people working with schools and colleges right across Canada to maintain the talent flow that is vital to our success today and in the future.

Technology will be a vital part of preserving our planet, but its effectiveness will always be linked to consumer acceptance. From my experience, no matter how difficult it is to achieve technological breakthroughs, changing attitudes in society is harder still! We all need to get serious about reducing our personal energy use. Industry initiatives, technical improvements and government regulations alone will not be sufficient if Canada is to achieve the goals set out in the Kyoto Accord. It will require every one of us to make changes in our behaviour—even you and me.

Oil and gas lie at the core of our modern way of life. For over 100 years, technology has remorselessly advanced to fuel economic development and it will continue to do so. The challenges and costs are formidable, but so are the imagination and ingenuity of our scientists and technologists. We need leading-edge technology to make the most of our country's natural resources for the benefit of all Canadians and to meet the challenge of environmental sustainability. However, when I reflect on what our industry has accomplished so far, I am confident that we can continue to supply Canada with clean energy—safely, reliably and sustainably.

Thank you.

The appreciation of the meeting was expressed by Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada.



November 7, 2005

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Jack Layton

Leader of the NDP Party of Canada

NEW DEMOCRATS GETTING THINGS DONE

Chairman: **Rod Phillips**
President, The Canadian Club of Toronto

Head Table Guests

Pamela Purves, Principal, Pamela Purves and Associates, and Director, The Canadian Club of Toronto; Paul Felstein, Principal, Felstein Consulting, and Former Executive Director, The Canadian Club of Toronto; Paul Summerville, Federal NDP Candidate, St. Paul's Riding, and Former Chief Economist, RBC Dominion Securities; Kiloran German, President, Sage Corporate Communications, and Director, Equal Voice; John Andras, Senior Vice-President, Portfolio, Andras Group, Research Capital; Dennis Fotinos, President and CEO, Enwave Energy Corporation; Olivia Chow, Councillor, Ward 20, City of Toronto; Robin Sears, Principal, Navigator Ltd., and Director, The Empire Club of Canada; Marilyn Churley, Deputy Leader, New Democratic Party of Ontario, MPP, Toronto-Danforth; Simon Dwyer, Director, Government Relations, Bell Canada; and Kevyn Nightingale, Partner, International Tax Services Group LLP, and Treasurer, The Empire Club of Canada.

Introduction by Rod Phillips

I think it would be fair to say that anyone who loves to follow federal politics, anyone who thinks that the cut and thrust of life on Parliament Hill is as good a soap-opera as you can find, anyone who believes that the goings-on in Ottawa combine importance with entertainment in a way that nothing else does is having a great time these days.

I know I am.

Minority government... Gomery report... the Martin Chretien feud... It just doesn't get any better than this.

There's an expression, thought by some to be an ancient Chinese curse, that goes: "May you live in interesting times." If it is indeed a curse, then you have to feel sorry for our guest today, because he is living in extremely interesting times.

Jack Layton is the leader of the federal New Democratic Party.

Now normally the leader of the fourth party has to resign himself to having a fairly limited impact in the House of Commons. You can make a lot of noise, and if you're good at it, which Jack Layton certainly is, you might influence a decision or two...maybe. But generally, when you have 18 seats out of 308, you're kind of the forgotten party leader in Ottawa.

Well, I think everyone here would agree that nobody on Parliament Hill is forgetting about Jack Layton these days. Because in a minority government all bets are off. Every seat counts. Every seat is a valuable poker chip, and it turns out that Jack Layton plays a mean game of poker.

Prime Minister Martin found that out last spring, when in exchange for the NDP supporting the government he was forced to add $4.6 billion in spending to his budget, and that involved withdrawing a tax cut for large corporations. The Prime Minister took a lot of heat for that, but Layton left him no choice, and as I'm sure everybody here remembers, he needed every one of those 18 seats to keep his government alive.

Today there's another hand of poker on the table, and once again everyone is wondering how Jack Layton is going to use his chips.

In the wake of the Gomery report, there are some who want an election now. Others want to stretch it out as long as possible. And as for our guest today, well maybe we had better hear from him.

Jack Layton is of course very well known in our city and knows our city very well.

He served on Toronto City Council for more than 20 years, prior to making the big jump to Ottawa.

He has been known throughout his career as a tireless social and environmental campaigner, and as a compassionate politician who cares deeply about people. You may have heard of the White Ribbon Campaign, which Jack Layton founded, that allows men in countries around the world to protest violence against women.

Jack Layton was born in Montreal. He holds a Masters degree from McGill, and a PhD in foreign investment and public policy from York University.

He clearly believes that a minority government is a great opportunity to get things done, and he's here today to talk to us about that.

Ladies and gentlemen, please welcome to our podium today the Leader of the Federal New Democratic Party, and MP for Toronto-Danforth, Jack Layton.

Jack Layton

Thank you for being here today. I'd like to thank Rod Phillips and Bill Whittaker for the invitation.

I had a speech written for today about how Canada's prosperity depends on investing in people, infrastructure and our environment.

I wanted to build on the thoughts given to an NDP conference a few weeks ago by Paul Summerville, former chief economist for the Royal Bank of Canada. Paul's running for the NDP in the next election, and I'd encourage you to read his thoughts on our Web site.

I had wanted to continue what Paul had begun, challenging perceptions of the NDP on economic issues and challenging perceptions of which policies build the innovative, sustainable and prosperous economy the Canada of this century's going to require.

But this week has been a tumultuous one in Ottawa. And events have intervened.

Yet again the scandal that has framed so much of recent political life has come to the fore, in the wake of Justice Gomery's findings into the ethical conduct of the Liberal Party.

So instead, I'm going to speak about the role people gave New Democrats in the last election, and how we've honoured that role. I want to speak about this Parliament's ability to get things done for people, in particular on the key issues outlined by the NDP some time ago. And I want to speak about them in the context of Justice Gomery's findings into the conduct of the Liberal Party.

I hope you will appreciate the circumstances that have led to a change in topic. I'll still try and keep it interesting.

During the last campaign, we asked Canadians for a central role in this Parliament. A million more people voted for us. And though doubling our vote didn't double our seats, people did give New Democrats the central role we sought.

On election night, I promised we'd use our role in Parliament wisely and that we'd be true to our values and to the values of those who voted for us. Quite simply, we committed to try and get something done in this Parliament for people.

That's what we've done. We proposed what we believe are good ideas—on ethics, the environment, pension protection and employment insurance. We were constructive.

It wasn't easy. Paul Martin's government more often than not embodied the sense of entitlement that plagues today's Liberal Party. In some instances, it flatly refused to do what a majority of Parliament said.

But in the spring of last year, the minority Liberal government that seemed to think it was entitled to do as it pleased ran into a parliamentary crisis. Then, Mr. Martin finally realized that his government was a minority, one that would have to work with others if it hoped to remain in office.

So we proposed changes we believed people wanted in a budget—not to make it perfect, but to make it better.

Specifically, we took out the corporate tax cuts Mr. Martin didn't tell people about when running for office. We proposed that money be invested in education and training, in the environment, in housing, including Aboriginal housing, in wage protection for workers whose companies are in trouble and in increasing foreign aid.

We demonstrated our commitment to balanced budgets and fiscal responsibility. We supported both debt repayment and small business tax reduction.

Our proposals were ultimately accepted and the first NDP budget in history was well received.

This is the kind of balance and compromise people expect from the Parliament they elected. It's not always easy, offering to work with another party to get something done.

But I believe it was the right path in the spring. And I also believe it was the right path this fall, which is why, a few weeks ago, we made it clear that our preferred path was for Parliament to be productive on issues that matter to people. So our caucus once again set out an agenda for action: ethics, the environment, pensions, E.I., training among them, but protecting public health care, too because public medicare needs protection.

Well before the current situation, the NDP outlined specific proposals to protect public medicare and improve it and we drew our inspiration from the principles and proposals set out in the Romanow Report. We looked for real enforcement and accountability that lets the federal government track its own health-care agreements. We looked to end subsidies for doctors practising both in and out of medicare. And most importantly, we proposed an end to federal subsidies for private, for-profit health care. We called for protection to ensure that funding from Canada's Parliament wouldn't in any way subsidize or support a private, for-profit health system. In short, we sought real accountability for federal transfers and real consequences when public medicare is undermined.

Last week, late Thursday night, the government responded to our specific proposals. We analyzed them over the weekend.

What the government is proposing is unacceptable. To be fair, the government did go some distance in preventing doctors practising both in and out of medicare. But addressing one issue while failing to address the larger question of privatization isn't enough. There is no meaningful accountability, no real effort to monitor and track public medicare's decline and private care's rise. And today's Liberal Party is unwilling to attach any conditions to prevent privatization to the funds it currently invests in health.

This isn't good enough for people concerned about the erosion of public medicare. They know dollars are scarce and they want those dollars going to care for their kids, their parents and themselves, not spent on profit margins.

These people know the private hospitals we have today are the thin edge of the wedge to the two-tier, private system they don't want and which the Supreme Court accelerated early this year.

They want Canada to protect public medicare that defines how we treat each other. A deeply held value that Canadians hold profoundly, which guides and defines us. Canadians deserve public medicare protected and after a careful consideration of Mr. Martin's proposals, I am forced to conclude his government won't.

So reluctantly, we have sent a response to the government, outlining why we find their proposals unacceptable.

If the content of the government's response to us on private health was a bill before Parliament, we would oppose it. It isn't any better contained in a letter from Health Minister Dosanjh.

Unfortunately, I don't believe there are grounds to go forward. Unfortunately, for those of us committed to getting things done in this Parliament, there's no basis for our party to express confidence in this government. New Democrats can't express confidence in a government that will not protect public medicare and is led by a Liberal

Party whose ethical conduct was indicted by Justice Gomery.

We have, repeatedly, demonstrated the balance and compromise people expect. And we've delivered results for people in the process.

It's what Tommy Douglas did, forcing Liberals to bring in public medicare and public pensions.

It's what David Lewis did, forcing Liberals to build affordable housing and create Petro-Canada.

It's what our caucus did this year in writing the first NDP budget in history.

But now we seem to have reached a serious, fundamental impasse. We were serious about our proposals, but equally serious about needing a response to them. All of them. To go forward.

The question therefore becomes, how can this Parliament continue under the leadership of a Liberal Party whose ethical conduct Justice Gomery indicted, a Liberal Party that once worked with New Democrats to build public medicare and now flatly rejects rules to protect that achievement?

We cannot express confidence in a government unwilling to act on such a critical issue. And we cannot express confidence in a government under the leadership of a party that cannot be trusted to clean up the politics it tainted.

In Parliament this week, New Democrats consistently raised instances of the culture of entitlement to which Justice Gomery referred in his report. We received no substantive answers on illegal lobbying, crony appointments and the ongoing blockage of democratic reform. This can't continue.

This Parliament's life is likely limited. Limited not by the choice of any opposition party, but by the unethical behaviour of the Liberal Party.

I believe that in these circumstances Canada should not have to wait to determine how best to get more done.

The time is approaching—sooner, not later—for the Canadian people to render judgment on the Liberal Party.

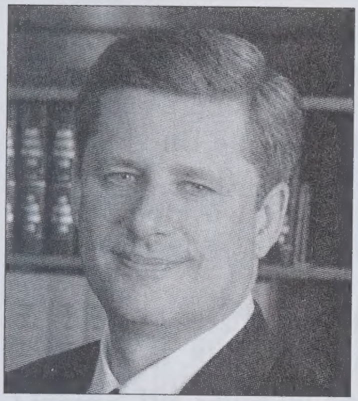
In the coming election, I will invite Canadians to judge the NDP's record of getting things done for people in this Parliament. I'll ask the people of Canada to give us more support so we can get even more done in the next one.

There's so much Canada wants to do together. I don't accept the false choice between endless broken promises and scandal on one hand and a party that's wrong on the issues on the other. We can do better together than what we have done, and respond to that desire for this country's government to behave ethically and not just speak about the values that define us, but put them into action once more.

I thank you again for the invitation today.

The appreciation of the meeting was expressed by Kevyn Nightingale, Partner, International Tax Services Group LLP, and Treasurer, The Empire Club of Canada.

Dennis Fotinos, President and CEO, Enwave Energy Corp., and The Hon. Jack Layton, Speaker and Guest of Honour.



November 8, 2005

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Stephen Harper

Leader, Conservative Party of Canada

ENDING THE CULTURE OF ENTITLEMENT

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Kevyn Nightingale, Partner, International Tax Services Group LLP, and Treasurer, The Empire Club of Canada; Justin Shoemaker, Grade 12 Student, North Toronto Collegiate Institute; Rev. Canon Kimberley Beard, Senior Pastor, St. Paul's On-the-Hill Anglican Church, and Director, The Empire Club of Canada; Howard Sokolowski, CEO, Tribute Communities Inc. Toronto, and Owner, Argonauts Football Club; Dev Mundi, President and CEO, Mundi Holdings Ltd.; Ken Whyte, Publisher and Editor-in-Chief, Maclean's Magazine; Peter MacKay, MP, Deputy Leader, Conservative Party of Canada; Robert MacIsaac, Mayor, City of Burlington; Robert J. Dechert, Partner, Gowling Lafleur Henderson LLP, and Past President, The Empire Club of Canada; Linda Frum, Author and Journalist; The Hon. Senator Hugh Segal, Senate of Canada; William J. Fox, Executive Vice-President, BCE Inc.; and Rod Phillips, President and CEO, Warren Shepell Consultants Corp., and President, The Canadian Club of Toronto.

Introduction by William Whittaker

We welcome the Leader of the Official Opposition and Leader of the Conservative Party of Canada to our podium today. Born and raised in Toronto, Stephen Harper graduated from the University of Calgary with a master's degree in economics. He worked as a member's assistant and policy advisor to two Members of Parliament—Jim Hawkes and Deborah Grey—before being elected to the House of Commons in 1993.

In early 1997, Mr. Harper joined the National Citizens Coalition as Vice-President, becoming President in early 1998. In 2002, he returned to the House of Commons as member for Calgary Southwest and more importantly as Leader of the Opposition. He began working for the unification of Canada's then divided conservative movement, which he and Peter MacKay achieved with the founding of the Conservative Party of Canada in late 2003. Mr. Harper was elected Leader of the Conservative Party in March 2004.

I note Peter MacKay, who also deserves recognition for uniting Canada's Conservatives, is at our head table today.

I am certain the Conservative Party is relieved Mr. MacKay decided to stay in Ottawa and not depart for the Elysian Fields of Nova Scotia politics.

Stephen Harper is one of only two people who will be Prime Minister of Canada after the forthcoming election so he is an important person.

Who then is Stephen Harper and what kind of leader does his record show him to be?

I quote from the epilogue of William Johnson's book, "Stephen Harper and the Future of Canada," published earlier this year.

"An introvert in a profession that rewards extroverts, especially since the age of television, he resists the standard gimmicks of politicians courting support; staged photo opportunities, (I note Mr. Johnson's book was published before this summer's infamous picture of Mr. Harper in his cowboy outfit), public displays of instant affection for unknown children.... false familiarity, and rhetorical grandiloquence.... Unlike most politicians, he almost always means what he says, because he has thought long and hard about an issue before he speaks. As one who was a public intellectual before he ever aspired to be a politician, he also says what he means....

"...throughout his political career, he has been consistently underestimated. The morgues of newspapers are littered with the corpses of knowing prophecies announcing, for example, that Harper was not the man to lead the Canadian Alliance, not the man to unite the right, and certainly not the leader who would bring the

Conservative Party of Canada up to the level where it could threaten the Liberals...."

Given the release of Gomery Phase One last week and the subsequent movement in the polls, Parliament is in election mode and Mr. Harper's speech today will no doubt reflect this fact. However, if you want to find out more about Stephen Harper, the person and his political career to date, I commend William Johnson's book to you. It is not a puff piece as Mr. Johnson is also critical of Mr. Harper, one of his criticisms being that Mr. Harper refused to be interviewed for his book.

I quote from the last paragraph in Mr. Johnson's book:

"But, in the last resort, what is most important in a prospective prime minister is his demonstrated good judgment, his integrity, his wise policies, his broad experience, his willingness to make hard decisions for the common good even if they are unpopular, and his commitment to work to the best of his ability and his energy to lead the country in peace, justice, and prosperity. In each of these respects, warts and all, Stephen Harper rates better than any other leader on the federal scene...."

Ladies and gentlemen, please join me in welcoming the Leader of the Official Opposition and Leader of the Conservative Party of Canada, Stephen Harper.

Stephen Harper

Thank you Bill for that introduction. Honoured guests, Mesdames et Messieurs, ladies and gentlemen, it is always an honour to address a combined meeting of the Empire and Canadian clubs.

This is one of those events that is a ritual of public life in this country, and one is always conscious in addressing this audience that one is standing in the footsteps of many of the great figures of the last century:

- Prime Ministers King, Diefenbaker, Trudeau, and Mulroney;
- Premiers like Mr. Davis;
- World leaders like Winston Churchill, Indira Gandhi, Margaret Thatcher and Ronald Reagan.

Their speeches were a great source of wit and wisdom and historical knowledge.

For example, here are some of the things one former political leader said in an Empire Club speech some years ago. “The trend…of the last 30 or 40 years has been to shift that power from Parliament to the cabinet. The effect of our system was to place a good deal of power in the hands of one man…so long as he had the confidence of the House he was practically a dictator. A unanimous resolution of the House of Commons or a resolution passed by a very large majority has practically no effect.”

That is what Sir Robert Borden, then Leader of the Opposition, said to the Empire Club exactly 100 years ago this month.

So not only am I speaking to the same organization, holding the same position, but I could have brought the same speech.

I hope my successor 100 years from now will be able to say that some of these things have changed.

One of the unfortunate realities of public life in this country is that we are hampered from dealing with the issues of the future, because we are still struggling to overcome the problems of the past and our failures to make some fundamental reforms that should have been made long ago.

There are many important issues on the national agenda, which I know that this audience, with your deep interest in public policy, would like to talk about.

I know you would like to talk about the future of our health-care system and the steps we must take to comply with the Chaoulli decision and ensure timely access to health care for all Canadians.

I know you would like to talk about productivity and competitiveness, and how we can lower the taxes that hold back jobs and investment.

I know you would like to talk about our trade relations with the United States and the current dispute over softwood lumber and the future of NAFTA.

But our ability to deal with these and other important public policy challenges is hampered by the overriding question of ethics and accountability in our national government.

Put bluntly, Canadians will not trust a government to tackle new challenges if it cannot clean up old messes. And Canadians will not believe the federal government will be a force for good if it is not honest and not accountable.

Today Canadians believe that it is not. How could they believe otherwise?

Last week, Judge Gomery confirmed what many Canadians suspected. He documented:

- Illegal cash and kickbacks;
- Phoney contracts for no work; and
- A culture of entitlement and corruption.

He did so over hundreds of pages, in a conspiracy that lasted years, reaching to the highest levels of government, done by and for the benefit of the governing party of Canada.

These are no longer media speculations or partisan slurs. These are findings of fact in a judicial inquiry.

And no one has been held accountable. Accountability is what Canadians expect when they send their hard-earned tax dollars to Ottawa. It's what they deserve.

Government is supposed to serve the public trust and protect the tax dollars of ordinary people. We forget that it's the money of ordinary people that was stolen. It's their trust that was broken.

When I become prime minister, I will make the task of cleaning up government and making Ottawa more accountable my first priority.

Cleaning up government begins at the top.

Paul Martin claimed to be mad as hell about the sponsorship scandal. But under his watch, the waste, mismanagement and corruption have continued.

Paul Martin cronies from Art Eggleton to Francis Fox continue to find soft landings in an unreformed senate.

The Martin government is negotiating a half-million-dollar severance package with David Dingwall—the man who hired Chuck Guite to run the government, the man who received improper payments as a lobbyist, the man who had a patronage job and quit.

Liberal lobbyists, many part of the so-called "Board" of Paul Martin insiders, continue to lobby ministers behind closed doors at $5,000 per person Liberal fundraising parties.

It has to stop. And it will.

You know most Canadians don't actually think that political office should be a permanent career. It should be a worthy, but limited form of public service.

We all know people in our communities who have served for a term or two on City Council, the provincial Legislature, or even as a member of Parliament or in staff or advisory positions to these individuals.

And I think we admire most of those who after having done what they came to do, simply decided to return to their former jobs and their former lives rather than hanging on in office or around government as lobbyists or political appointees.

I think we all have more respect for those citizens who run for office to change politics, not to have politics change them.

And that is how I want to treat my time in public office. I am in Ottawa to do a job, not to join a club, not to buy into a lifestyle.

There is today no more important job to do than cleaning up government and bringing accountability back to Ottawa. Because if we don't clean up government, it will compromise our ability to use government to tackle the challenges we want to get on with:

- Getting taxes down and productivity up;
- Restoring access to health care;

- Combating the spread of guns, drugs, gangs and criminal activity in our cities;
- Rebuilding our armed forces and our influence on this continent and in the world;
- And so much more.

That is why I announced last week that the first piece of legislation I will introduce as prime minister will be the Federal Accountability Act.

The Federal Accountability Act will change the way business is done in Ottawa forever.

It will give more power to the Auditor General, the Ethics Commissioner, the Information Commissioner, and the Lobbyists Registrar, to make sure that these independent officers of Parliament can hold the government accountable.

It will give real protection to those who blow the whistle on unethical behaviour.

It will open the windows on government with long overdue reforms to access to information laws.

It will ensure that appointments to public office are based on merit and qualifications.

Our federal accountability act will also crack down on the revolving door between ministers' offices, the senior public service, and the lobbying industry.

We will ban all ministers, ministerial staffers, or senior public officials from lobbying government for five years after they leave office.

And we will make sure that there are real teeth and real penalties to enforce the Lobbyists Registration Act.

I have told my own MPs and parliamentary staffers that if they have ambitions to use public office to advance their own interests or get rich lobbying a future Conservative government, they had better make different plans, or leave.

I've also said we are going to mandate the Auditor General to do a complete review of billions of dollars in federal grants, contributions and contracts. The Federal

Accountability Act will give her the power to "follow the money" and to audit end recipients. Had she had this authority, she might have uncovered the depth of the sponsorship scandal years ago.

But most importantly, the Federal Accountability Act will crack down on a big money and lobbying culture that has thrived under Paul Martin.

As prime minister, I will ban all remaining corporate and union donations to federal political parties, period.

I will close the loopholes that allow MPs and candidates to create secret personal trust funds.

And I will cap donations to federal political parties at a maximum of $1,000 annually.

This means no more lobbying the Prime Minister at behind closed doors $5,000-a-ticket cocktail parties.

For example, I have in my hand a letter from the National Revenue Chair of the Liberal Party of Canada, based here in Toronto.

It says if you enclose $5,200, and only if you enclose the full amount, you can come to his home on Monday, November 14, to discuss "important issues facing Canada today" with the Prime Minister.

If Paul Martin is serious about reforming the Liberal Party, let alone government, he would not sell access like this. He would end this way of doing business. He would cancel this meeting on the 14th.

These and many more changes are explained in detail in the Federal Accountability Act and I would encourage you to read it. They will change the way that politics and government are done in this country.

Now, you are no doubt all wondering: When will the people of Canada get their chance to vote on this Accountability Act, or any other matter of public policy?

As you all know, in the spring, after the testimony of Jean Brault at the Gomery Commission, the Conservative Party withdrew our support of the government. In the weeks that followed we attempted to defeat the government. We were supported in those attempts by the Bloc Quebecois and initially one, later two, Liberal members of Parliament. Those attempts were, however, ultimately unsuccessful. The Liberals were sustained in office principally by the support they received from Mr. Layton and the NDP.

Yesterday, Mr. Layton spoke here. While he now appears less enthusiastic about his support of the Liberals, he also refuses to rule out any course of action, including continuing to negotiate his support with the Liberal government.

Let me be clear. The Conservative Party will not negotiate behind closed doors with a party that has now been named in a judicial inquiry on corruption.

The fate of the government should be decided, not by a backroom deal between the Liberals and NDP or anyone else.

It should be decided by the people of Canada.

Unfortunately, our experience in this Parliament suggests we do not have the votes to defeat the government without the support of the NDP.

Worse yet, should we again attempt to bring down the government, Mr. Layton would no doubt see our attempt as potential leverage in his negotiations with the Liberals, as he has on other occasions.

I will not allow a Conservative motion to become a bargaining chip in a parliamentary poker game.

If Mr. Layton wants now or at any time to bring down the Liberal Party over its corruption and is prepared to initiate measures to do that, I assure you we will co-operate with and support that effort. If he is not, Canadians will have to assess his ambivalence on corruption. When this becomes an issue the voters can actually do something about and it will be an issue in the next election.

Friends, no government is perfect because no people are perfect. As T. S. Eliot reminded us, we must avoid "dreaming of systems so perfect that no one will have to be good." Whatever the system of rules, we have a duty to do what's best for the public good when we take the oath of public office.

When I become prime minister, the Federal Accountability Act will require us to serve the public interest, as best we can determine it, not our personal interests. Now the government claims that it too is committed to reform. It says it will bring in changes to the administration of the public service. It says it will listen to the recommendations in the second Gomery report. We will also listen to those ideas for reform.

But this scandal did not happen because of poor auditors or bad judges. It is a scandal that happened because of the culture of entitlement that has developed within the Liberal Party. And the Liberal Party has proved incapable of reforming itself.

It only acts after it has been caught. And its actions are always half measures.

We cannot change the system without holding accountable the people who allowed this to happen under their watch. The Liberals must be held accountable, both for what they did, and for what they failed to do.

Creating a different way of doing government must begin by selecting a different government.

Because only a new government will ensure that those individuals and organizations responsible, including the Liberal Party itself, are held accountable to the full extent of the law.

And only a new government will be able to bring in real reforms that will eliminate the remaining problems root and branch.

This plan, which I have introduced, is my commitment to Canadians to clean up government. It is my personal word as a taxpayer, as a father, and as a fellow citizen. I want to get this job done.

When my political career is over, I want to leave knowing that future governments will have to be more honest, more ethical, and more accountable.

Ladies and gentlemen, I hope to have the privilege of returning to address this audience another time to talk about health care, or productivity, or the other challenges facing Canada in the future.

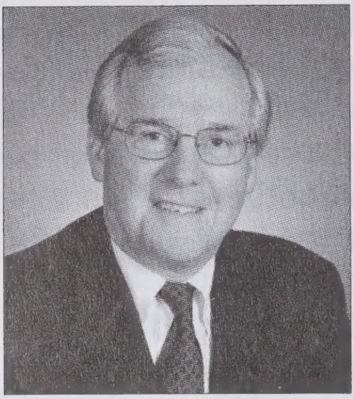
And I hope to be able to do so in a changed environment, where the extent of scandal has not and cannot re-occur, and your national government is free to address the other challenges that face our great country.

Whether people in this room have been affiliated in the past with the Liberals, Conservatives, New Democrats, or have had no party leanings, I would urge all of you to consider the need for a change in government in order to change the system.

I hope to form a broad coalition of Canadians from all walks of life, from all regions of the country. A coalition of Canadians that will work together and stand up for clean government, stand up for change, and stand up for Canada.

Thank you. Merci beaucoup. God bless Canada.

The appreciation of the meeting was expressed by Rod Phillips, President and CEO, Warren Shepell Consultants Corp., and President, The Canadian Club of Toronto.



November 10, 2005

Scott Hand

Chairman and CEO, Inco limited

CANADIAN COMPETITIVENESS IN THE GLOBAL ECONOMY

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

William D. Laidlaw, Executive Director, Ontario Community Newspapers, and Past President, The Empire Club of Canada; Melissa Tan, Grade 12 Student, Agincourt Collegiate Institute; Reverend Douglas Kramer, St. Philips Lutheran Church, Etobicoke; John Stackhouse, Editor, Report on Business, The Globe and Mail; Peter Penashue, Former President, Innu Nation; Mayor David Courtemanche, Mayor, City of Greater Sudbury; Reverend Dr. John S. Niles, MSM, Rector, St. Andrews United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada; Derek Pannell, CEO, Falconbridge; and James Buchanan, Partner, SECOR.

Introduction by William Whittaker

Scott Hand is the second speaker in our luncheon series entitled "Canadian Industry in a Global Economy" which focuses on the challenges Canadian businesses face today in a rapidly changing world. The sponsor of this series is Secor Consulting, the largest independent strategy-consulting firm in Canada, which is celebrating its 30th anniversary this year.

Mr. Hand will speak to us today about some of the challenges Inco Limited faces in today's international mining environment. An undercurrent to today's luncheon is of course Inco's takeover bid for Falconbridge Ltd. to create the world's largest nickel producer. With Derek Pannell of Falconbridge at our head table today, I suspect Mr. Hand will have something to say about their proposed merger.

The Canadian mining and mineral processing industry is vital to Canada's economy contributing 4.1 per cent to Canada's GDP in 2003 and directly employing 389,000 people that year. The old image of miners and prospectors with picks and shovels has been replaced by workers using robotics, computers and other high-tech equipment. Women today are employed as mining engineers, equipment operators, technicians, environmental specialists, geologists and executives. Canadian mining today is light years removed from the conditions described in Richard Llewellyn's classic novel "How Green Was My Valley" about depression-era coal mining in Wales. However, Canada has had its mining tragedies. We all remember the 1956 and 1958 Springhill, Nova Scotia, tragedies and the 1992 Stellarton, Nova Scotia, tragedy.

Canada is one of the world's largest exporters of minerals and mineral products, which accounted for approximately 13 per cent of our exports in 2003 with some 80 per cent of our mineral and metal production being exported. Canada is a powerhouse of mining technology and financing much of which is also exported. The Toronto Stock Exchange is the mine-financing capital of the world, raising an average of $2.5 billion a year in new equity financing.

Just think of how minerals have changed our lives. Take sports as an example. Hockey players used to skate on blades of steel. Now their skates are composed of complex alloys, and they use hockey sticks of graphite. Baseball players use aluminum bats, golfers graphite drivers and tennis players graphite-fibre and aluminum racquets.

Inco Limited, which has been in business for over 100 years, is foremost a primary metals producer employing over 10,000 people worldwide in its mining and refining operations, research centre and in marketing and sales. As a leading international producer of nickel, Inco is also an important producer of copper, precious metals and cobalt. One example of the significance of Inco's worldwide activities is its Goro Project on the South Pacific island of New Caledonia, an overseas territory of France, which when completed will be the largest Canadian investment in France.

While Inco helps Canada maintain a favourable external trade balance, Mr. Hand also personally does his part for Canada by exporting its cultural icons. In his address earlier this year to the prestigious Mining Club of Melbourne, Australia, Mr. Hand played an audio clip of Stomping Tom Connor's "Sudbury Saturday Night" no doubt to illustrate that Inco is part of Canadian folklore. I understand it was well received by the audience. While we have the Mayor of Sudbury at our head table today, alas there is no Stomping Tom.

Scott Hand was elected Chairman and Chief Executive Officer of Inco Limited in April 2002. Prior to this, he served as President, Executive Vice-President, General Counsel and Secretary, and was also responsible for Inco's Strategic Planning and Business Development.

Mr. Hand joined Inco's legal department in 1973 and is a rare example of what most inside lawyers aspire too—making the transition to line management and then heading up the whole show. I think his capacity for non-legal responsibilities was tested early on by Inco with his assignments in El Estor, Guatemala and Sulawesi Island, Indonesia, where no doubt his 1960's Peace Corps experiences in Ethiopia helped him.

Mr. Hand is a director of the Nickel Development Institute and the Canadian Council of Chief Executives. He is also a member of the U.S. Council on Foreign Relations and a director of the Ontario Heritage Foundation and Tafelmusik.

Mr. Hand was educated at Hamilton College and Cornell University Law School from which he graduated with a Doctor of Jurisprudence in 1969.

Ladies and gentlemen, please join me in welcoming Scott Hand, Chairman and Chief Executive Officer of Inco Limited.

Mr Hand.

Scott Hand

It's a real pleasure to be here at the Empire Club.

Thank you all for coming and a special welcome to our head table guests. I'm very glad that Falconbridge's President and CEO Derek Pannell could make it.

The two of us recently did an investor road show together where we presented the vision for our new company. And I'm starting to depend on having him with me to keep me out of trouble.

For instance I've learned that whenever he waves his arms and shakes his head back and forth, it means I should stop talking.

Of course a month ago Derek and I were onstage to announce that our two companies would come together through a friendly takeover by Inco—and that we will create the world's number-one nickel producer, and a great leading copper producer.

Which brings me to what I was asked to speak about today—Canadian competitiveness in the global economy.

There's a library full of theories about what it takes for companies to become globally competitive. And a special wing is devoted to theories about Canadian competitiveness.

But as my favourite philosopher Yogi Berra once said, "In theory there is no difference between theory and practice. But in practice, there is!"

My remarks today about Canadian competitiveness will be very light on theory, and heavy on practice.

Not surprisingly I'm going to talk a lot about our plan to bring Inco and Falconbridge together. Obviously, it's been on my mind!

But I also think it offers a very relevant, real-life answer to the questions, "How can Canadian companies stay competitive in a global economy?" and "What are the implications for the rest of the country?"

Let me start by talking about Canadian mining in general. If you'll forgive the comparison, for Canadians mining is a bit like hockey. It's something we've been doing for a long, long time. And it's something we're very good at—as good, or better, than just about anyone else.

In developing our great mineral resource base during the last century, Canada developed vast expertise in exploration, mining and processing. Later, we began taking our home-grown expertise around the world in the global hunt to discover—and profitably develop—new mineral deposits. As a result, mining was one of the first industries where Canada really cut its teeth on the global stage.

And over the years Canadian mining has continued to grow and to take a leading position. Today, for instance, Canadian mining and exploration firms hold the largest share of global exploration in Canada, the U.S., South America, Central America and Africa.

Of course mining is a capital-intensive business and along with our technical and engineering expertise, we've developed some very impressive financing capabilities.

The Toronto Stock Exchange today maintains the largest peer group of mining companies in the world, and is the best access point to equity capital for exploration and mine development.

Mining companies represent some 15 per cent of the total companies listed on the TSX, and 10 per cent of the total TSX market cap.

In 2004, the value of mining shares traded on the TSX was over US$140 billion.

Add it all up, and today Canada has become the world's number-one centre of excellence in mining and metals. There's no other place where you find the same concentration of technical expertise, management know-how, and financing capability as right here.

I would add the important fact that Canada's strong position in mining has depended on what I like to call "critical mass." That is, Canada's leadership in mining depends on having a critical mass of multi-national, and growing, mining companies with head offices here in Canada.

Look at exploration.

A huge amount of the activity on the TSX involves junior mining and exploration companies. But many of those junior companies are able to thrive here in Canada—and around the world—only because of their partnerships and alliances with bigger companies like Inco and Falconbridge.

Look at research and development.

That also depends on Canadian companies with the critical mass to make investments, like Inco has, in dedicated research facilities like the one we maintain at Sheridan Park in Mississauga. Places where we can invest in major research like our hydromet technology for Voisey's Bay, and high-tech nickel products for the battery industry. And where we can employ Canada's best and brightest.

Then think about all the other specialized corporate support services that have grown up around our Canadian mining industry. I'm thinking of the financial analysts. The brokers. The auditors. The underwriters. Not to mention the investment bankers and the lawyers.

Believe me, I've seen a few of them pass through our office in the last few months.

And don't forget the IT support companies. The HR consultants. The telecommunication specialists.

The list goes on and on.

The fact is we need those services to compete globally. In turn, they need companies like ours, with head offices in Canada, to help build their world-class capability. That's why Canada simply can't afford to let our great mining industry become a series of branch plant operations.

As you probably know, we've been seeing a period of major consolidation in the global mining and metals industry.

Commodity prices have been at record highs, and the big multi-national mining companies are flush with cash.

Meanwhile, not many mining companies have the same attractive options for profitable organic growth that Inco does with mining projects like Voisey's Bay in Labrador and Goro in New Caledonia. Or that Falconbridge has with projects like Collahuasi and El Morro in Chile, and El Pachon in Argentina.

But for some companies, the most viable strategy is to grow through acquisition. Which is why we've seen mounting concern and speculation in the business press and elsewhere about whether Canadian mining companies might be gobbled up by offshore interests.

I'll leave speculation to the pundits.

And instead I'll tell you what we've done to take our destiny into our own hands and create the best possible future for two Canadian-based mining companies.

At our press conference Derek and I called the Inco Falconbridge combination a great Canadian solution—because that's what it is. And because the long-term result can only be good news for Canadian mining and other sectors that service it and depend on it. In short, it will be good for Canada!

Samuel Johnson once said, "Patriotism is the last refuge of a scoundrel." So lest we be accused of wrapping ourselves in the flag, let me make a couple of points.

First, let me say that I'm American by birth, but I'm proud to also be a Canadian citizen. I've even had the privilege of sharing a Molson Canadian with Stompin' Tom Connors at a Leafs hockey game. And if that doesn't give me some Canadian credentials, I don't know what does!

But seriously, I'm a big booster of Canadian mining both at home and around the world. And I'm proud of the Canadian solution we've come up with. Derek, if I can speak for you, I know you feel the same way.

Second, let me add that it wasn't just Canadian pride or nationalism that first brought Derek and me together. Our first priority was to create value for our shareholders. And we're doing that.

And if we're also creating a "Canadian powerhouse"—well, so much the better for all of us. Let me outline some features of this Canadian powerhouse:

- The world leader in nickel and a great and leading copper company. Those are the two metals with probably the best supply-demand fundamentals going forward, and we see a great future in both of them.

- An enterprise value of about US$25 billion. We'll be in the front rank of global mining and metals companies—only a very few mining companies will be bigger.
- Much greater liquidity in North American stock markets. The new Inco will become a preferred holding for North American investors who want to participate in the great metals market.
- One of the best portfolios of properties in nickel and copper in the mining industry, giving us a range of options for future growth that are absolutely second to none.
- The financial strength and firepower to pursue those growth opportunities.
- Great geographic diversification—and a major presence in North America, South America, Asia, the South Pacific, and Europe.
- A unique opportunity to realize very significant natural synergies by doing things more efficiently.

No other combination besides Inco and Falconbridge could capture those natural synergies. Sudbury will be run the way Mother Nature says it should. Our situation is truly one of a kind and as we move forward I'm very confident we'll find even more value.

For those of you who haven't been to Sudbury and seen our two operations, let me elaborate briefly on this last point.

To explain it simply, think of the Sudbury basin as one enormous continuous orebody running beneath the earth. That's not quite geologically accurate, but you get the picture.

Meanwhile, at the surface, for the past 75 years, our two companies have been building fences, parallel roads, side-by-side mines, and separate processing facilities to mine and treat this one great orebody.

By bringing our operations together there are scores of ways we can deliver more value and reduce our costs—making sure the right material gets to the right facility, getting the best metals recoveries, and getting the maximum production from our available processing capacity.

In short, for a host of reasons, this combination is a marriage made in heaven from the standpoint of shareholder value.

I mentioned at the outset that Derek and I recently completed a roadshow where we presented the new company to shareholders. And I can tell you, investors liked what they heard.

Of course in a lot of mergers and acquisitions, what sounds great to shareholders often doesn't sound nearly as good to employees and to communities. This time it's different. Our solution is good news for our employees and for our mining communities.

That's not to say there won't be any job impact. As we've said, we expect that about 100 to 150 positions in Sudbury could be affected when we combine our operations. But that is on a total employee base of about 6,000. And bear in mind that so far this year, Inco has had some 200 retirements in Sudbury. That's why Derek and I are confident we'll be able to manage the job impact largely through attrition.

Over the medium and longer term this combination means growth in Sudbury, because we will be bringing on new mine development sooner.

At a corporate level there will be some rationalization, as inevitably happens when you combine two head offices.

Again, as much as we can, we'll be handling this through retirements and attrition. And again, we believe this Canadian solution is the best long-term alternative when you think of the jobs both inside and outside our companies that depend on it.

We've been very gratified by the response from elected officials, from community leaders, and from union leaders.

We are honoured to have Mayor Courtemanche of Sudbury at our head table today and I won't try to put words in his mouth. But I will remind you of what some others have said.

Leo Gerard, a Sudbury native who today is president of the United Steelworkers union, was recently quoted as saying, "My sentiment is that the Inco Falconbridge proposal is probably the best deal for Sudbury, for the community of Sudbury, for the steel workers of Sudbury and for Canada."

We've come a long way when a buttoned-down guy like me and a down-to-earth guy like Leo can stand together and both say how great the new Inco will be for Sudbury!

Meanwhile, Canada's Minister of Industry David Emerson had this to say: "It's very important to have Canadian championed companies and it is important for them to come together in a friendly way to build deep roots right here in Canada."

Ontario Premier Dalton McGuinty called our new company "an international resource powerhouse which will be headquartered in Ontario and controlled by Canadians."

He went on to say, "Anytime there's a takeover that's exercised by a foreign company, they just don't have the same kind of commitment to Ontario and Canada. I happen to think that is really good news that bodes well as we assert ourselves in the highly competitive global economy."

Premier McGuinty's comments take us back to the key theme of global competitiveness. I've already listed some of the ingredients that will make the new Inco a great competitor in today's global mining world. I'd argue that it's not a bad checklist for Canadian companies that want to perform and win on the global stage.

Excel in your key areas of business. Have the required size and the liquidity to attract investment. Have a solid plan for profitable growth, and the financial wherewithal to act on your growth options.

I'd also add, have a strategy for China. Inco's position with respect to China was very good even before this deal. And as the new Inco it will get even better.

We have something that the Chinese need very badly—nickel. Last year our nickel sales to China totalled some US$400 million.

With the added strength in copper that Falconbridge will bring, our position in China will get that much better. The dragon is hungry—not just for nickel but for copper, too.

Over the past 10 years Inco has built a growing presence in China. Today we have nearly 600 employees working in five different locations, and we've assembled an impressive Chinese management team.

We've grown to be one of Canada's biggest exporters to China—and as the new Inco we will get even bigger. Our pro forma sales to China, based on 2004 totals of nickel and copper, would be starting to push US$1 billion.

Of course there's another area I haven't yet mentioned that plays a very big role in global competitiveness for mining companies. And that is your social license to operate.

Part of the "Canadian brand" around the world has been that Canadians are known to have high standards of social responsibility—and we do the right thing when it comes to the environment and communities.

I believe there's a great opportunity for the new Inco to help strengthen that Canadian brand as a hallmark of how Canadian mining companies do business around the world.

At Inco we don't claim to have written the book on corporate social responsibility. And we've had our share of hiccups.

But we've been clear on our basic objectives. We don't go where we aren't wanted. And we work very hard to be a positive force and a good neighbour where we operate.

The road hasn't always been easy. Peter Penashue is here today, and could tell you how rough that road was when Inco first met with the Innu and Inuit at Voisey's Bay. But I think he'd also tell you how far we'd come together since then. And how today, as Voisey's Bay finally comes into production, the Inuit and Innu people are true partners in our success.

I know from conversations with Derek that Falconbridge shares our views on what it means to be a good neighbour. And it shows in their actions on the ground, whether you look at their programs with the Inuit at Raglan in Northern Quebec, or with communities in the Dominican Republic, Chile and Peru.

Now it goes without saying that when you're interested in buying another company—and the price tag is nearly $13 billion—you do more than just kick the tires. You take a good, long look. The fact is, we've been looking across the street at these guys for an awfully long time—in Sudbury, in Toronto, in New Caledonia, and in other parts of the world. More often than not, even as competitors, we've looked on them with admiration and always with a great deal of respect.

In acquiring Falconbridge we know we're getting truly excellent assets—some of the best in the world. But we know we're getting much more than that. We're getting great people—with a great tradition, and a great culture. One that will fit very well with ours.

Now I realize that for the past 20 minutes I've been guilty of making this sound like a done deal. Which it isn't.

Falconbridge shareholders need to tender sixty-six and two-thirds per cent of the outstanding common shares by December 23rd.

Plus we need to receive all the necessary regulatory clearances.

On the first condition, we believe we've made Falconbridge shareholders a very compelling offer.

We are creating shareholder value—both for the near and long term—which can't be duplicated by anyone else. And we are giving Falconbridge shareholders a great opportunity to participate in the new Inco.

On the second, we are taking the necessary steps to get the clearances that we need, whether in Canada, the U.S., or the EU, and things are proceeding well on all fronts.

So we believe that by sometime early next year, the new Inco will become a reality.

I know I was invited here to talk about Canadian competitiveness. And again I realize that I've devoted a lot of my remarks to our new deal. I admit, I'm hugely excited about the new Inco—and it's hard to curb my enthusiasm.

But let me also re-iterate; this combination says a lot about what you need to be truly competitive in today's global mining industry.

You need to be big enough to be a player on the world stage.

To be the clear leader in what you do best.

To have the financial strength to keep growing.

And to take calculated risks to control your own destiny.

By doing all these things, we'll help create a Canadian mining industry that is more than a survivor, but a leader on the global stage.

We will deliver huge rewards for our shareholders—because, after all, that's whom we work for. But there will also be great and long-term rewards for our employees, our communities and the many businesses and support services who depend on us. In short, this is a great combination for all our stakeholders.

As I said, Falconbridge shareholders have until December 23rd to tender their shares.

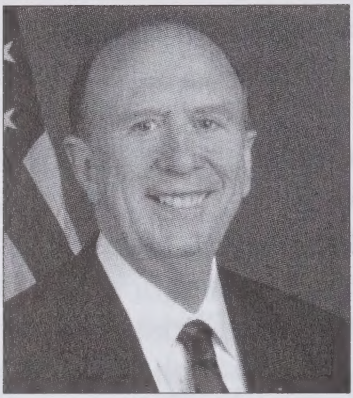
We aren't relying on a man in a little red suit to deliver the "new Inco."

But I think it's a good sign that this year, Christmas Eve just happens to fall on a "Sudbury Saturday Night."

Thanks to the Empire Club, thanks to all of you for coming today, and thanks for listening.

The appreciation of the meeting was expressed by Reverend Dr. John S. Niles, MSM, Rector, St. Andrews United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada.

Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, Mayor David Courtemanche, Mayor, City of Greater Sudbury, and LCol. A. G. (Sandy) Cameron, CStJ, CD, AdeC, Chief AdeC to the Lieutenant-Governor of Ontario, and Director, The Empire Club of Canada.



November 14, 2005

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency David H. Wilkins

U.S. Ambassador to Canada and Honorary President of the American Chamber of Commerce in Canada

MAKING A GREAT RELATIONSHIP EVEN GREATER

Chairman: **Rod Phillips**
President, The Canadian Club of Toronto

Head Table Guests

Heather Devine, Litigation Associate, Gowling Lafleur Henderson LLP, and Director, The Canadian Club of Toronto; Rahjesh Soobramayniam, President, Fedex Canada; Paul Tsaparis, President and CEO, Hewlett-Packard Canada Co.; Dr. Ilse Trure-Nicth, Director, MARS Discovery District, University of Toronto; Scott Hand, Chair and CEO, Inco Ltd., and Director, The Canadian Club of Toronto; Shauneen Bruder, Executive Vice-President, Business and Commercial Banking, RBC Financial Group; Ron Baker, President, AVP Event Marketing, and Chair, Ontario Council, American Chamber of Commerce in Canada; Rudyard Griffiths, Executive Director, The Dominion Institute; Michael MacMillan, Executive Chair, Alliance Atlantis Communications Inc., and Immediate Past-President, The Canadian Club of Toronto; Jessica LeCroy, Consul General, U.S. Consulate, Toronto; Gay Mitchell, Executive Vice-President, Strategic Business Development, Canadian, Personal and Business Clients, RBC Financial Group; and William G. Whittaker, QC, Lette Whittaker, Barristers & Solicitors, and President, The Empire Club of Canada.

Introduction by Rod Phillips

There was a time in this country when our relationship with the United States of America was something we took absolutely for granted.

We were vital trading partners. We were the staunchest of allies. We were the best of friends.

Most people would probably argue that all of those things remain essentially true, but they would probably also agree that things are a little strained between our two countries these days, and they have been for some time.

The reasons aren't hard to find.

The events of September 11th changed the way America looked at the world, including Canada.

We disagreed over the war on terror, the invasion of Afghanistan, and then Iraq.

Security at our borders became an issue, and then missile defence.

Softwood lumber, so long an irritant, has now turned into a trade dispute as bitter as any we have ever had.

And so it would be possible to look at the number of public disputes between Canada and the U.S. and conclude that we really don't get along all that well.

Our guest today would argue—and I suspect he is going to argue in just a moment—that that conclusion is wrong.

David Wilkins is the United States Ambassador to Canada. He was appointed to the post last June.

In the five months since then, Ambassador Wilkins has travelled across this country and he has reminded Canadians as he has done so about just what good friends our two countries really are.

He points to the outpouring of aid and support from Canada in the aftermath of Hurricane Katrina.

He reminds people that while we may disagree on some trade issues, we agree wholeheartedly on most of them, and still enjoy the largest bilateral trading relationship in the history of the world.

Mostly he reminds us that while friends quarrel sometimes, they remain friends, and Canada and the United States have been good friends for a very very long time.

David Wilkins is a native of South Carolina.

He is a lawyer, and served in the South Carolina House of representatives for 25 years, 11 of them as Speaker of the House.

He spearheaded initiatives like welfare reform, education accountability and crafted South Carolina's historic ethics bill.

As the 21st U.S. Ambassador to Canada, he brings a record of achievement, compassion, and dedicated public service.

He is the voice of a valued and respected friend, and I have no doubt that as Canadians get to know him, he himself will become a valued and respected friend.

Ladies and gentlemen, please welcome to our podium today U.S. Ambassador to Canada, His Excellency, David Wilkins.

David H. Wilkins

Thanks Rod for that kind introduction.

Bonjour. Or where I come from: “Bonjour y’all.” It’s my great privilege to address members of the Empire and Canadian clubs.

I’m five months now on the job and have visited from sea to sea to sea. That is more than 60,000 miles and all but one province. It includes the oil sands, Hydro Quebec, and polar bears.

I recently travelled to Nunavut and really enjoyed myself. There are no trees there. So it’s the one place in Canada we don’t talk about softwood lumber. We talked about seals, and the Northwest Passage, but not softwood! I think I’ll go back.

It has been a time of great learning as I’ve been meeting with and listening to folks like you across Canada. I am and remain a proud American and a guest in your country. So I haven’t gone native on you. But Canada doesn’t have a bigger fan than me. Susan and I love your country. Canada is exactly the place we want to be.

I have to tell you it’s been a whirlwind of a year. Since I presented my credentials to the Governor-General on June 29, I’ve thought about little else other than the U.S-Canada relationship. And I wish more people would think about it, because it’s incredibly important and valuable.

I’ve been told that in the last few years the tensions between our nations have increased. I have no way of gauging whether that’s true.

But I have noticed that thoughtless words, unnecessary criticism, unfair assumptions, and just plain honest disagreements seem to be tearing at the fabric of this very strong relationship.

Here we have the single most successful, productive, and peaceful relationship the world has ever known—and who would really know that? Who would know, by following the news, that there is no better, closer relationship between two nations than the one we share?

Everywhere I go in Canada, I'm met with nothing but friendship and warmth. I've seen one example after another of collaboration and co-operation.

And yet, it's there, on the fringes, a loose thread here and there, that are small but significant signs that we need to re-examine the fabric of the U.S.-Canada relationship.

I think our countries are so close, so compatible, that often small disagreements get distorted way out of proportion.

It happens in all solid, long-term relationships: sometimes we take one another for granted. We forget to say thanks. We say things we wouldn't say to a stranger let alone to our best friend.

So I want to start off by thanking Canada once again for all you did for my country in the wake of Hurricane Katrina. I really cannot express our appreciation often or more sincerely enough. Canada was there for us early and eagerly. You gave us your time, talent and treasure and you have the respect and everlasting gratitude of my country. So again, on behalf of our President and all Americans: thank you.

Canada has so much in which to be proud: from your rich tradition of independence and defence of freedom, to your financial health today. Canada never has to tear down the United States of America to build itself up. We are two very different, functional democracies that work well, both independently and together.

So why aren't we talking about the positive rather than the negative? If you listen to some of the rhetoric out there it's like the greatest enemy we face is each other. I believe this is a toxic attitude—one that will impact our relationship if we don't make a concerted effort to build each other up and accentuate the positive.

My country learned painfully four years ago who the real enemies are. They're the ones who use planes as bombs, use beheadings as entertainment, and innocent women and children as pawns and props.

Just last week, these cowards struck again, this time in Amman, slaughtering innocent Jordanians. Our enemies are the enemies of freedom. And no liberty-loving nation is immune from their wrath.

Canada, like the United States, is truly one of the most tolerant and diverse countries in the world. It is a beacon of light and hope. It makes us wholly different from those who operate in the shadows, who fear inclusion, and who disdain civil and religious rights.

And it's why we both have to take our security seriously. You don't get a second chance to stop a terrorist. One time is all they need to inflict death and destruction.

I deeply appreciate Canada's concerns regarding the United States' border passport initiative. Those same concerns have been expressed in the U.S. I'd ask you to please keep in mind we have time before the December 31, 2007 deadline set by Congress to implement the requirement of passports or other secure documents at the border. What we're looking at are other possibilities with the same requirements as passports, something that could fit into a wallet, for example. We also want to make the application process for this alternative document more accessible and perhaps less costly than a passport.

The point is, this is a work in progress and there are a number of options being considered. We're in this together and we're truly trying to balance all concerns. We want what you want—prosperity and security, easy access for trade and legitimate travellers, and safe borders. They are not mutually exclusive.

Another issue I am optimistic we can and will resolve is softwood lumber. Let me say first and foremost I understand and appreciate Canada's concerns and frustrations. Canada has legitimate arguments. But so, too, does the United States. Without a final negotiated settlement there is no end in sight, just new lawsuits brought. Talk of "trade wars" and "retaliation" may make good copy. But they don't make good sense for either side.

The United States remains firmly committed to NAFTA. Period.

What we have with softwood is a trade dispute; it involves a disagreement over the legal interpretation of the NAFTA ruling on a trade issue that represents 2.4 per cent of the total trade between our two great countries.

We have had other disputes and we have resolved them amicably. That's what friends do. If the goal was to raise awareness in Washington, that objective has been met. I will continue to let Washington know exactly what I'm hearing from all of you. No one wants this issue resolved more than I do.

I cannot promise you immediate answers on softwood lumber. What I can promise is a steadfast effort on my part to work toward a final resolution that is in the best interest of both countries.

We seem to spend a lot of time in our bi-lateral relationship pointing blame when we ought to be talking about how well we work together. Nowhere is this more evident than when we're talking about guns. Gun violence is an issue Canadians are rightly concerned about, especially here in Toronto.

But the claim that 50 per cent of the guns involved in crimes in Canada come from the U.S. is totally unsubstantiated. It's just not true. The fact is American and Canadian law enforcement are working closely together to tamp down illegal gun smuggling and violence on both sides of the border.

As you know, our Secretary of State Condoleezza Rice was in Ottawa a few weeks ago. She spent a great deal of time talking with your leaders about the most important issues of the day. It was a powerful reminder to me of what Canada and the United States are doing around the world in freedom's name.

What we're doing together right now is helping Afghani women and children to greet each new sunrise with hope and opportunity, instead of the fear and horror that marked the reign of the Taliban.

Canada has taken a loud and vocal lead on the need to respect human rights in Iran and against the development of nuclear weapons. And when the Iranian leader recently called for the removal of Israel from the map—this from a country defying international non-proliferation efforts—Canada and the U.S. were among the first to condemn that statement.

Together with other partners we're working together in Haiti to build democracy there.

And in Iraq, Canada has pledged hundreds of millions of dollars for reconstruction efforts.

That help is deeply appreciated because the work there is so critical. A letter seized last month from al Qaeda's top lieutenant bears renewed witness to why the U.S. will, and must, stay the course in Iraq. In clear language, that letter proves the murderers want Iraq as a base of terror operations. And in a bid to improve public relations, they're favouring shooting kidnapped victims rather than beheading them.

I'm quoting now directly from the terrorist's letter: "We are in a media battle in a race for hearts and minds," and "We can kill the captives by bullets." This sick and distorted vision of a world ruled by abject terror and brutality is simply unacceptable.

And so my country will press on. The United States has been and will continue to be a force for good in this world.

- The Bush administration has devoted more funding to fight the AIDS epidemic than any other country in the world.
- The United States is also spending more on climate change than any other country in the world and our performance on emissions has been better than many of the countries that ratified the Kyoto Protocol.
- This month we're marking the 10th anniversary of the Dayton Accords—the U.S.-inspired agreement that ended the brutal war in Bosnia where Canada played such a major peacekeeping role.
- And just as Canada was there for us when Katrina hit, so too were we there for you in the aftermath of Hurricane Juan and the Quebec ice storms.

As former Secretary of State Powell has said, "We did not claim Germany and Japan as our own after World War II. We built them up and paved the path NOT to domination, but to democracy. Because that's the kind of nation we are."

It is also the kind of nation you are—the kind that sends massive relief to victims of tsunamis and hurricanes and earthquakes and the kind that promotes democracy and diversity.

Canada is well respected and appreciated around the world for these characteristics. But I fear the anti-American rhetoric may have some of my countrymen concerned about this relationship.

And Canadians likewise are concerned. And that's a real shame. Because I see every single day—firsthand—that we don't have a better friend than Canada. And Canada does not have a better friend than us.

I'm committed to this relationship. Three weeks from now—three years from now—I want it stronger than it is today.

My goal is pure and simple. At the end of my tenure, I want to leave a great relationship even greater. We are two distinct democracies with common goals—unselfish goals. Both of us welcome more democracies, more free-markets, more prosperity on the world stage. We know what's good for the world is good for us.

I pledge to you that I will spend every moment I am privileged to serve in your great country building the relationship and trying to resolve the few issues in which we disagree. I pledge that I will listen and continue to learn. I stand before you a man who deeply loves my country and at the same time appreciates and admires yours.

So I ask Canada to take another look at your centuries-old friend, the one you'll live next door to for time eternal, the one you know would be first on the scene in your time of need.

We depend on each other. We need each other. Why not work to better appreciate and respect one another?

Why shouldn't all of us be ambassadors working to improve the relationship?

And why not work on it now, while the fabric that binds us together is strong? We have everything to gain and nothing to lose. And we can show the world all the good that happens when two great, independent nations empower, encourage, and work together for peace and prosperity.

May God bless all of you. God bless Canada. And God bless the United States.

Thank you.

The appreciation of the meeting was expressed by William G. Whittaker, QC, Lette Whittaker, Barristers & Solicitors, and President, The Empire Club of Canada.

Members and guests of the Canadian Club of Toronto and the Empire Club of Canada, I have the honour to express your formal thanks to Ambassador Wilkins.

Since Ambassador Wilkins presented his credentials in Ottawa at the end of June, he has travelled throughout Canada meeting Canadians and has been extensively interviewed by our media. The ambassador's media interviews indicate this has been a positive experience except for one thing—Canadians have never heard of boiled peanuts, a traditional snack in the southern United States.

So for those Canadians, who will be hosting Ambassador Wilkins in the future, please note he would appreciate a peanut boil. Here's how you do it:

Take four to five pounds of green (raw) peanuts in the shell and wash thoroughly in cold water until the water runs clear.

Then soak in cool, clean water for 30 minutes before cooking.

Place the soaked peanuts in a large pot and completely cover with water. Add one cup of salt per gallon of water.

Cook covered on high heat for four hours and then taste for salt and texture until the peanuts reach the desired texture of a cooked dry pea or bean.

Remove from the heat and drain.

And Canadians, please note boiled peanuts may be eaten hot, at room temperature or cold after refrigeration.

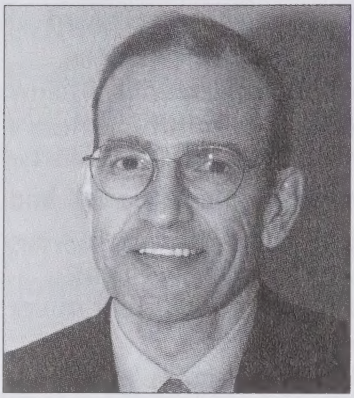
Generally copious amounts of Jack Daniels are consumed during the tasting process to clear the palette. Of course in Canada, Canadian rye should be substituted and the above recipe will have to be converted to metric!

Seriously, I thank Ambassador Wilkins for his remarks today. His theme was how much our two countries have in common and that we shouldn't let short-term irritants affect our relationship. The ambassador's phrases "accentuate the positive" and "take another look at Canada's old friend" are remarks we all agree with.

I conclude by quoting President John F. Kennedy's memorable words describing the relationship between our two countries:

"Geography has made us neighbours; history has made us friends. Economics has made us partners. And necessity has made us allies."

Thank you Ambassador Wilkins.



November 17, 2005

Ted Barris

Author, Broadcaster and Professor

THE CANADIAN VETERAN: NO ORDINARY HERO

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; Reverend William Montgomery, Anglican Church of Canada; Major William A. Duncan, CD, Member of the Argyll and Sutherland Highlanders of Canada in WWII, Retired Chief of Personnel, Canada Post, and Honorary Director, The Empire Club of Canada; Mrs. Rodine Egan, WWII Veteran; The Hon. Colonel Charlie Fox, WWII Veteran; Sonja Bata, OC, Director, Bata Shoe Organization, and Honorary Captain, Canadian Navy; Col. Frederic L. R. Jackman, CStJ, OOnt, LLD, President, Invicta Investments Incorp., Hon. Colonel, The Toronto Scottish Regiment, and Past President, The Empire Club of Canada; Charles S. Coffey, Executive Vice-President, Government Affairs and Business Development, RBC Financial Group, and Third Vice-President, The Empire Club of Canada; Stephen Bell, WWII Veteran; Dr. Heather MacDonald, Medical Director, Aging and Veterans Care Directorate, Sunnybrook and Women's Health Science Centre; and Nicole Nantais, Manager, Corporate Communications, The Dominion of Canada General Insurance Company.

Introduction by William Whittaker

The Canadian government has proclaimed that 2005 be dedicated to paying tribute to Canada's veterans. The Honorable Albina Guarnieri, Canada's Minister of Veterans Affairs, in announcing the "Year of the Veteran" said, "It is our never-ending mission to thank veterans who step out of ordinary times to do the extraordinary and give our nation and other nations an endowment of peace. The Year of the Veteran will enable us to express gratitude to those whom we owe a tremendous debt, one that can only be repaid through active remembrance."

As Canadians, we often take for granted our way of life, our freedom to participate in cultural and political events, and our right to be governed by those we elect. Our Charter of Rights and Freedoms ensures that all Canadians enjoy equal protection under the law. The Canadians who went to fight in the Second World War went in the belief that such rights and freedoms were being threatened. They believed that "without freedom there can be no enduring peace and without peace no enduring freedom"—words spoken by King George VI at the 1939 dedication of our National War Memorial in Ottawa.

During the Second World War, individual acts of heroism occurred frequently, but only a few were recorded and received official recognition. In remembering all who served, we recognize the many who willingly endured the hardships so that we could live in peace. In remembering their service and sacrifice, we recognize the freedom they fought to preserve.

Media comment respecting our Remembrance Day just past noted the increased crowds attending ceremonies. Some 25,000 people attended the ceremony at the National War Memorial in Ottawa. I can personally vouch respecting the large crowd at Toronto's Cenotaph ceremony in front of Old City Hall compared to previous years. I was particularly struck by the large number of school children in attendance.

Quite rightfully the focus of these ceremonies was on our Second World War veterans. However, I note Canada's Silver Cross Mother this year was Claire Leger whose son, Sgt. Marc Leger, was killed in Afghanistan in 2002. Mrs. Leger also unveiled a Special Book of Remembrance containing the names of Canadian Forces members who have died in service from 1947 to the present.

This book is a companion to the other Books of Remembrance in the Peace Tower of the Parliament Buildings in Ottawa listing the names of all Canadians who have died in active service. These Books of Remembrance contain the name of my uncle, Maurice Howard Gilchrist of Richmond, Quebec, a private with the 78th

Battalion, Canadian Expeditionary Force (Royal Highlanders of Canada), who was killed near Ypres, Belgium on August 31, 1916, one hour after going into battle. My uncle was killed well before I was born but I am proud to say that my son Charles and I were the first members of our family to visit his grave at La Laiterie Military Cemetery in Belgium in 1982.

Every year is an important year to honour veterans and their service. However, 2005 is especially meaningful because it marks the 60th anniversary of the end of the Second World War. In May 2004, Professor Barris spoke to us compellingly about Canada's citizen soldiers who on June 6, 1944—"D-Day"—were part of the greatest amphibious invasion force in history. He noted that it was the many individual acts of courage and survival which made the big picture happen and he illustrated his point by showing pictures and describing the experiences of RCAF navigator Robert Dale, RCN stoker Ray Mecoy, paratrooper Mark Lockyer, infantryman Fred Barnard and army photographer Bill Grant.

Professor Barris is the author of 14 non-fiction books, five about wartime Canada. His three most recent books, "JUNO: Canadians at D-Day, June 6, 1944," "Days of Victory: Canadians Remember 1939–1945" and just published "Behind the Glory: Canada's Role in the Allied Air War" chronicle Canada's participation in the Second World War. He is the recipient of numerous literary awards and is Professor of Journalism at the Centre for Creative Communications, Centennial College, Toronto.

It is a testament to Professor Barris's erudition that he has been asked to address us again. He will speak to us today about the Canadian veteran—no ordinary hero.

I thank Professor Barris's colleagues and students at Centennial College for attending in such large numbers today and the efforts of his colleague, Professor Carolyn Whittaker, who is also my wife, in motivating Centennial people to attend.

Please join me in welcoming Professor Ted Barris, author and broadcaster, to our podium today.

Ted Barris

It is late on the afternoon of July 17, 1944.

A 24-year-old Canadian fighter pilot with No. 412 RCAF Fighter Squadron takes off in his Spitfire from an Allied airfield in France. In spite of the fact that the Allies' 2nd Tactical Air Force has only been operational in France for six weeks, the pilot is getting used to the routine.

Once airborne over Bernieres-sur-Mer, he and his wingmate (another Spitfire pilot) head toward Caen. His objective is to search and destroy what are called "targets of opportunity." Not long into his flight and not far into the German-occupied area south of Caen, he spots one. A German staff car is speeding along a road. With his wingman covering his next move, the Spitfire pilot makes a diving, curving attack on the car forcing it off the road. But the pilot doesn't stop to look. Just as quickly as he began the attack, he has flown on. Back at his home airstrip the pilot notes in his log "one staff car damaged." He also writes a capital "R" in red ink.

By the end of the day's action (and in fact for a generation), strategists, politicians, correspondents, veterans and historians will argue over who deserves credit for this short but decisive action. They will wonder: Who shot up the staff car of the most important German commander in Western Europe? Who has severely injured the Desert Fox, Erwin Rommel?

That very night (and in the nearly six decades that followed), various fighter pilots—some American, some South African, and some from the Royal Air Force—will claim credit for having put Erwin Rommel out of the war.

In fact, the man who made little or no fuss about the incident in 1944, but who made note of the damaged staff car and the red "R" in his flight log, was the man responsible. His name is Charlie Fox. He is one of the veterans (who joins me at the head table today), someone I prefer to describe as "no ordinary hero."

Now "hero" is not a description that Charlie Fox would ever use to describe himself. Never. In the nearly 20 years I have known Charlie Fox, the only times I've ever heard him utter the word "hero" is in praise of others—other airmen, other seamen, other infantrymen, never himself.

Why not? Well, because that's his nature.

Oddly, that's the nature of most of Charlie's comrades-in-arms. Most Canadian veterans I've encountered in my

35 years as a journalist, broadcaster and author, (and I've probably interviewed 2,500 veterans in that time), were just glad to have made it home alive.

Most Canadian veterans (unlike some of their Allied comrades) preferred not to wave a patriotic flag but to simply closet, file away or forget the hell that was their war.

Most Canadian veterans preferred not to tarnish the memory of their fallen comrades by turning any limelight on themselves.

Instead, (like a kind of self-protective mechanism and maybe out of respect for those who didn't come home), they simply preferred to remember the antics, the quirky tales and maybe the odd near miss. Never the death and destruction and never did they dare confuse what they called "duty" with what others called "heroism."

I don't suppose any of those who served on the home front in Canada would ever consider themselves heroes either. After all, unlike the British who endured the blitz or the Dutch who struggled against the occupation, if you lived in Canada you were a long way from the sharp end, thousands of kilometres from the shooting and the dying.

Still, Canadian men, women and children exhibited a quiet determination and dedication at home that deserves credit too and perhaps at times should be called heroic. During the Second World War, Canadians were exhorted to be careful what they said, to sacrifice and scrimp, to dig deep to finance the war effort, to knit socks and send packages to servicemen overseas, to save tinfoil, buy bonds, do volunteer work, use less sugar, gasoline, meat, butter, rubber and to take a job in a war plant.

And here's where that determination and dedication deserves attention particularly among Canadian women. During the war (despite some politicians and religious leaders who campaigned against it), between 500,000 and a million women left their homes in the care of sisters, parents, grandparents or friends, so that they could take positions in the assembly lines of war production.

In the United States, the woman who came to symbolize the migration of women into war munitions work was known as "Rosie the Riveter." In Canada, there was Veronica Foster, who worked at the Inglis plant in Toronto manufacturing Bren guns for the Canadian Army—in the eyes of the home front propagandists, she became known as "Ronnie the Bren-gun Girl."

And there was at least one journalist of the day who recognized Ronnie and all the women who joined the migration to the munitions plants in somewhat heroic terms. Lotta Dempsey was a feature writer for the Toronto Star during the war. And as early as 1943, she noted in one of her columns the extraordinary impact these home-front women were making by their actions. She wrote:

"You can tell your great-granddaughter some day that this was the time and place it really started: the honest-to-goodness equality of Canadian women and men in all the work of this country that is to be done; and the pay, and the kudos and the rights and the problems.

"And you can say that it wasn't done by club women at luncheons; or orators on soap boxes; or legislators in parliaments.

"It began to happen that hour when Canadian girls left desks and kitchens, elevators and switchboards and stepped into overalls and took their places in the lines of workers at lathes and drills, cranes and power machines, tables and benches in the munitions plants of Canada."

Lotta Dempsey was acknowledging the way a Canadian female population stepped up to do its part in a home-front army of sorts. The work was often difficult, dirty and wearying, but it also brought companionship, much needed pay, independence, and, as Lotta pointed out, those first powerful steps toward equality. I'd call that a kind of heroism.

But women on the home front didn't only work on assembly lines in munitions plants. Another 100,000 women served at home—in uniform.

Some worked as nursing sisters.

Thousands joined the Canadian Women's Army Corps.

Just as many became members of the Canadian Women's Auxiliary Air Force (later known as the Women's Division).

And thousands more women responded to the recruitment poster that said: You Too Can Free a Man to Serve at Sea: Join the Women's Royal Canadian Naval Service.

Another guest here at the Empire Club's head table today was a wartime WREN. Living in Vancouver at the beginning of the war, a 19-year-old Rodine Doris Buckley-Beevers enlisted at the HMCS Discovery base on the Pacific Coast, then travelled to Guelph, where she trained and was then posted to Halifax, at HMCS Stadacona. Ronnie was one of only four WRENs chosen to work in the Mechanical Training Engineers office, where her work included charting, filing, rating and drill instructing.

She served in Halifax for three years up to and including an infamous, historic moment in Halifax's wartime history. Quite unexpectedly, Ronnie played a rather curious (some might say heroic) role during the riots that overtook the city on VE (Victory in Europe) Day, May 8, 1945.

Relations between the 65,000 citizens of Halifax and the nearly 55,000 transient navy and merchant seaman had not been the best during the war. Many Haligonians detested what nearly six years of war had brought their city—thousands of servicemen pouring through on their way to Europe; beaches fouled by oil from a harbour filled beyond capacity; rationing; blackouts; curfews and general overcrowding. On the other hand, the servicemen and women complained that food in the city was bad, rents were sky-high and services non-existent. Some said navy people were dreadfully exploited.

At any rate, when word leaked out on the morning of May 7, 1945, that German capitulation in Europe was at hand, people in Halifax began abandoning their workplaces, and everything was locked up tight.

Thousands of civilians and navy personnel streamed into the streets, but there was nothing to see, nothing to buy, and nothing to do. Years of pent-up frustration and anger boiled over. And two days of rioting and looting ensued.

At four o'clock in the afternoon (on the second day) May 8, 1945, Ronnie completed her clerical shift. She had been married the year before and lived away from the WRENs' barracks. So, that afternoon she and several WREN friends joined the crowds, not realizing how threatening the streets had become.

At one point in the WRENs' rounds, Ronnie and her pals found a Zellers store open for VE Day shopping. They made their purchases and stepped toward the exit to leave the store.

In the doorway they met half a dozen "liquored up" sailors who told the women to move out of the way. They had decided they were going to burn down the store. Well, in the blink of an eye (and with the reflex of the drill sergeant she had become) Ronnie (and her WREN pals) stood in their way and informed the sailors: "Oh no you aren't!" There was a momentary standoff. But eventually the sailors backed down and left the store unscathed.

(Incidentally, it was only later, during my search through the documents of Mr. Justice R. L. Kellock of the Supreme Court and his inquiry into the riots, that I found photographs of the riots including one of a Canadian sailor blowing his own salute to VE Day in front of that very same Zellers—the one the Ronnie and her pals had saved from being torched.)

I'll bet if I ever found the manager of that Halifax Zellers store, he might describe the actions of Ronnie and her WREN friends as "heroic."

I think it's safe to say that the Canadian military and the government's Department of National Defence did their best to recognize distinguished service during the war. For his service in the air force (first as an instructor in the British Commonwealth Air Training Plan and then overseas on Spitfires) Charlie Fox was awarded a Distinguished Flying Cross. Charlie is always quick to point out that there were hundreds of DFCs awarded at the end of the war.

And as one infantry veteran once told me, "Winning medals for heroism depended on whether somebody important noticed."

There were at least two Victoria Crosses awarded to Canadians on August 19, 1942. Stephen Bell was not one of the recipients, but he can attest to having fought through and survived "the bloodiest nine hours in Canadian military history," the so-called hit-and-run raid at Dieppe, on the coast of France.

Born and raised in the town of Govan, Saskatchewan, Steve Bell left the prairies at age 17, landed in Toronto, broke and out of work. He joined the army underage, but by the time they sorted things out he was overseas and had transferred to the Calgary Tank Regiment, which landed in the thick of things in front of the German-fortified seaport of Dieppe.If you'll allow me, I'll read a passage from one of my books:

"We were hit on the turret, just coming down the [tank carrier] ramp," Bell said. "The shell hit the top of the tank and blew the lid right off. All you could see up there was daylight. Three of us in the turret were knocked out cold, but it was just concussion."

To add to the confusion, when the tanks actually landed they could not move forward over the stony beach; they simply bogged down in the fist-sized chert rock. Bell's tank stopped 15 feet up from the water, leaving the crew stranded. "We got hit maybe three or four times in that fifteen feet. The engines would run, but the tank wouldn't move forwards or backwards."

With the tank immobilized, Bell and a tank crewmate, Johnny Booker, set up a machine gun in what seemed like a sheltered spot and kept firing at Germans. "Five minutes later, a shell hit the back of the tank, about three feet above our heads. Both of us were wounded. I got shrapnel in my legs, my back and my ass. He got hit in the leg.... We tore open his pants and blood just spurted out, it must have hit an artery."

Another Calgary Regiment trooper, Bill Willard, was hit first in the ankle, the knee and the shoulder. Then Bell and another man, Earl Snider, saw him "opened up right from his breastbone right down to his crotch." Bell and Snider had "this first-aid kit, so we got a couple of safety pins and stuck everything back in and pinned him up."

At eleven o'clock that morning, some small boats began returning to pick up the faltering raiders, and Stephen Bell was among those carrying wounded back to the boats. "Every boat, except for maybe one or two, got blown up in the water. You could ask anybody who was on that beach and they'll tell you, that water was just like red ink with blood. Bodies? You have no idea... The water that was coming up was foaming red with blood."

Half an hour later, Bell and the rest of his surviving tank crew were taken prisoner and paraded through the streets of occupied Dieppe.

He spent nearly three years in various POW camps in France, Poland and Germany. He escaped five times and was recaptured four times. One time, he was almost free when a guard shot him in the back. The bullet lodged in his vertebra next to his spinal cord. His life was saved because he wore a webbing belt, which slowed down the bullet.

In February 1945, when the Germans began a forced march of prisoners westward away from the Russians, Steve and a fellow prisoner slipped away during an artillery barrage. He nearly froze and starved to death but eventually managed to connect with advancing Allied troops. He was liberated on May 5 and was flown back to the U.K. in time for VE Day celebrations in London.

If Stephen Bell and the Calgary Tanks had been written up in the United States, they would have been a Stephen Ambrose "Band of Brothers" book series.

If Ronnie Egan's heroics in Halifax had been noticed, they'd have put her on the face of a commemorative postage stamp (like Laura Secord).

If Charlie Fox's attack on Erwin Rommel had made it to film, it would have been a John Wayne Hollywood movie.

Instead, too often veterans' stories get tucked away in filing cabinets, shoeboxes, closets and cupboards to be forgotten.

But with all due respect to my veteran friends here, I will not allow that to happen. I will not allow my generation or any of the young men and women I teach at Centennial College to overlook or forget the extraordinary things these ordinary Canadians achieved. Just because they were citizen soldiers—volunteers every one—I do not believe we can allow the gift they gave us to be lost to neglect or apathy.

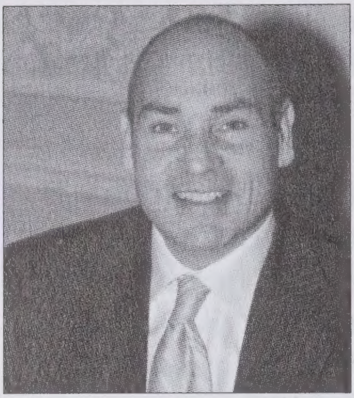
I want to thank the Empire Club for this unique opportunity to share the stories of three Canadian veterans in this "Canada's Year of the Veteran." I want to thank those of you who've come today to pay tribute to these three and all the other veterans in this room.

Whether you refer to Canadian veterans as "heroes" or not, we do them the greatest disservice, if we do not continue to recount their stories, celebrate their service and remember their sacrifice.

I admit it. I have become their advocate. And it's an advocacy I am proud of. In my books (quite literally) I regard them either specifically or between the lines as genuine Canadian heroes.

The appreciation of the meeting was expressed by Col. Frederic L. R. Jackman, CStJ, OOnt, LLD, President, Invicta Investments Incorp., Hon. Colonel, The Toronto Scottish Regiment, and Past President, The Empire Club of Canada

Mr. Stephen Bell, WWII Veteran, Dr. Heather MacDonald, Medical Director, Aging and Veterans Care Directorate, Sunnybrook and Women's Health Sciences Centre, Hon. Colonel Charlie Fox, WWII Veteran, Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada, and Major William A. Duncan, CD, Member of the Argyll and Sutherland Highlanders of Canada in WWII, Retired Chief of Personnel, Canada Post, and Honorary Director, The Empire Club of Canada.



November 24, 2005

The Hon. George Smitherman

Minister of Health and Long-Term Care, Province of Ontario

ONTARIO'S LOCAL HEALTH SYSTEM INTEGRATION ACT

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Madison Turner-Bob, Grade 12 Student, North Toronto Collegiate Institute; Reverend Dr. George Sumner, Wycliffe College; John A. Campion, Partner, Fasken Martineau DuMoulin LLP, and Past President, The Empire Club of Canada; Dr. Busha Taa, Member, Council of the College of Physicians and Surgeons of Ontario, President, Ethiopian Association of Toronto, and Member, African Canadian Social Development Council, Policy and Research Committee Board of Directors; Doris Grinspun, RN, MSN, PhD (Can.), OOnt, Executive Director, Registered Nurses' Association of Ontario; Carolyn Acker, Executive Director, Regent Park Community Health Centre; Jonathan Guss, CEO, Ontario Medical Association; Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada; Azmi Haq, Film; Heather Campbell, Director, Practice and Policy, College of Nurses of Ontario; Jan Kasperski, RN, MHSC,CHE, Executive Director and CEO, Ontario College of Family Physicians; and Kevin Dougherty, President, Sun Life Financial Canada.

Introduction by William Whittaker

Minister Smitherman is the second speaker in our luncheon series on the future of Canadian health care, sponsored by Sun Life Financial, a leading international financial-services corporation chartered in Canada in 1865. Dr Ruth Collins-Nakai, President of the Canadian Medical Association, spoke to us in early October and Alberta Minister of Health and Wellness Iris Evans will address us on Thursday, December 8. Invitations have been extended to others to participate in this series.

In his May 2004 health policy speech to a joint meeting of the Empire Club and the Canadian Club, Premier McGuinty stated succinctly that Ontarians support a universal publicly funded system of health care "anytime they are asked in a poll or at the polling booth." The debate for Ontarians, he said, is how to improve the delivery of publicly funded health care. This has been Mr. Smitherman's task for the past two years since being appointed Minister of Health and Long-Term Care when the Liberal government took office in October 2003.

One important aspect of Ontario's health policy being stressed by Minister Smitherman is individual health maintenance. A memorable quote of the minister's in his April, 2004 address to our club was that while medicare provides an excellent "sick care" system, Ontarians needed to take back their health through exercise, a healthy diet and not smoking. He noted that while the Liberal government's vision included community-based health-care professionals providing a continuum of health-care services tailored to a patient's needs, every citizen has a responsibility to adopt a healthy lifestyle. The newly established Ministry of Health Promotion is to assist Ontarians in this regard.

In his two years as Ontario health minister, Mr. Smitherman has embarked on ambitious reforms to Ontario's health-care delivery system, some of which he will discuss today. Health-care reform is not an easy task and the minister has stepped on a few toes. But Mr. Minister, take heart—difficulties and turmoil in bringing change to Ontario's health-care system are not unique to your watch! Toronto Star columnist Ian Urquhart, in a November 2004 article, asked three of your predecessors why it is so difficult to reform Ontario's health-care system.

Tony Clement, Progressive Conservative health minister from 2001 to 2003, commented: "You have the most sophisticated stakeholders in government," referring to doctors, hospitals and pharmaceutical firms. "They know which buttons to push. They know how to get media attention. They know how to make it hurt."

Frances Lankin, NDP health minister from 1991 to 1993 agreed with Mr. Clement's analysis. She recalled that when she tried to delist psychotherapy from OHIP coverage, she stirred up a hornet's nest. In the end, the NDP government capped the number of psychotherapy hours that OHIP would pay for any individual. But the psychotherapists just saw more patients Lankin said and the savings were minimal.

Murray Elston, Liberal health minister from 1985 to 1987, said that while change is the norm in health care, the constant change in day-to-day practices and procedures tends to make doctors and hospital boards even more resistant to suggestions for institutional changes flowing from government. Elston said: "The easiest way to cope with the change being thrown at you is to slow it down."

Minister Smitherman was elected to the Ontario legislature as MPP for Toronto Centre—Rosedale in 1999. Prior to becoming an MPP, Mr. Smitherman served as Chief of Staff to Mayor Barbara Hall and as an advisor to federal ministers David Collenette and Herb Gray. He is a rare breed of politician having significant experience at all three levels of government.

Please join me in welcoming the Honourable George Smitherman, Minister of Health and Long-Term Care for the Province of Ontario to our podium today.

George Smitherman

I want to thank Bill for that very, very kind introduction. I enjoy the privilege of being back at the club again. I have taken to saying quite often that in this line of work I'm pretty happy to get invited back just about anywhere.

I am delighted that David Collenette was acknowledged. One of the things that I'm proud to acknowledge is that he's one of those politicians who taught me a lot and gave me an opportunity for success in politics. I'm delighted to call him a friend and I'm very honoured that he's here today.

I want to acknowledge as well the attendance here today of my colleague from the legislature Kevin Flynn, the very fine member from Oakville, and I want to acknowledge Elizabeth Witmer, a predecessor of mine in the role of minister of health.

It is truly for me a privilege to be here and I'm delighted to see so many people who have such a crucial role to play in helping to build a stronger health-care system in our province. The objective, which has been driving our government's health-care agenda over the past two years, can be summed up as the desire to ensure that our medicare system, the one that we all cherish, is able to survive and to thrive for future generations. I've always bristled when some critics have complained that our health-care system is broken. It's not broken. But that doesn't mean that it is not in need of some improvements and some changes.

The health-care system that our government inherited two years ago was struggling with some serious difficulties. There was a lack of planning and organization. Services were delivered in an unco-ordinated way. There was too little communication between hospitals, long-term care homes, mental health agencies and other providers. We didn't do well enough at sharing information or best practices and we didn't always look for ways to work together. In fact I've often wondered if our so-called health-care system really was a system at all, not to mention that the projected cost curve threatened medicare's very sustainability. Reform was overdue.

In order to undertake a job this big we set some very clear priorities—reduced wait times, improved access to doctors and to nurses and making Ontarians healthier. And I'm proud to say that over the past two years bold steps to reform the system and to bring Ontarians closer to these three goals have been taken. Let me give you some examples.

Together we passed the toughest anti-tobacco package in North America. Our premier created the Ministry of Health promotion to make Ontarians healthier and to give them the tools, the inspiration and the help to succeed. We launched "Operation Health Protection" to revitalize our often ignored but crucially important public-health system. We are improving access to doctors and nurses with the creation of family health teams, 39 new community health centres and investments to increase the overall number of doctors and nurses in this province. We are increasing medical school enrolment by 15 per cent and the number of family residency positions by 70 per cent and we're training more international medical graduates than ever before. We are also working to increase the number of nurses in the province and to make their jobs safer and more satisfying and we've already created 3,062 new jobs. We have funded 250,000 more procedures to reduce wait times in five key areas. We've launched a Web site providing Ontarians with wait times data broken down by procedure, by hospital, and by community. We have made commitments to build Ontario's capacity to be a leader in new-born screening. We've created a province-wide vision for end-of-life care. And this is just part of the list.

Because the people of Ontario deserve to know what they're getting for their money, we created the Ontario Health Quality Council. It's independent and it will help tell the complex health-care story in plain language. Together we have made some remarkable progress, but the challenge is continuous quality improvement and our government accepts this challenge. I'm proud to say that just hours from now I will rise in the Ontario legislature to move us one giant step forward along this road of continuous quality improvement, our single most significant step yet, and that's what I'd like to talk about this afternoon.

Ladies and gentlemen, I will be introducing a piece of legislation which if passed will bring about the most significant, the most far-reaching and the most enduring reform of all. I'm speaking about the Local Health System Integration Act. It's a complex bill, but the values it rests on are clear. It was written to reflect our commitment to equity, to community, and to returning our health-care system to the people. With some luck this legislation will ignite what could well be a spirited debate and it might be called a lot of things by a lot of people. Everything from magic panacea to devil incarnate. Neither will be accurate but there can be no doubt that the reforms initiated by this bill are long overdue and that the weeks ahead will be crucial if we are to be successful in giving real life and real meaning to the word "system." And to those who oppose it as a reflex, I say that the status quo is not getting the job done. The status quo is not what our government is about.

The most significant element of this bill is the power we are giving to local health integration networks known as LHINs. If you want to know what we are trying to achieve with LHINs, the answer is straightforward. We are addressing the very heart of the matter. Here in Ontario we often use the term health-care system, but the truth is it ain't really much of a system.

When I first took over this job there was a big map of Ontario hanging on the wall in my office. In the middle of Toronto was a big red dot labelled Ministry of Health and all around it throughout the province were smaller dots representing hospitals and other health-care entities. Literally hundreds and hundreds of them and practically the only thing uniting them was their relationship to my corner office at Queen's Park.

If I can speak frankly about Queen's Park for a moment, the folks there are so preoccupied with the harsh grind of the day to day that the longer-term vision and planning work struggles for attention. That's no system. And when you don't have a system you are failing the fundamental test of any publicly delivered service. That's equity. We are failing the test of equity when the wait time for an MRI can range anywhere from three to 50 weeks depending on where you are in Ontario. Where's the equity when some hospitals want to charge the ministry $450 and others $2,000 to perform the exact same cataract surgery. That's no system. And surprising as this may sound, when we took office Ontario's so-called health-care system could not even measure how many cancer surgeries were being performed any given year.

So we set out to build a true system and we proceeded on a very simple premise. It is this. In an environment where we all agree that there will be fewer resources than we might prefer, it's just common sense that we ask people from local communities closer to the action to help to determine which local priorities must be supported first. That's what local health integration networks will do.

Let me tell you more about what local health integration networks are, how we propose they will work, what they will do and what they won't. The name itself provides some insight. Local health integration networks.

First and foremost they are local. Located in 14 communities across this province, their mandate is to serve those communities, to identify the priorities and the needs of the people who live there and to respond to them in the most effective way possible. We are taking real decision making and spending power, $20 billion of it, and putting it into the hands of local people. Local health integration networks will have the power to make decisions about planning and integration of local health services. They will work with their communities to determine where money is spent, whether certain services should be strengthened or perhaps consolidated and how to improve patient care. Not only will local health integration networks be locally based they will also have a duty. In fact they will have an obligation to engage their communities in a discussion about these issues.

For far too long the debate about health care has deliberately shut out the vast majority of Ontarians. It shut them out because it was conducted in mind-numbing technical language and impossibly obscure acronyms, some of which I still struggle to pronounce even if I can remember them. We want to give health care back to the people. After all it belongs to them. It belongs to the people who pay for it.

This legislation makes it very clear that decisions made by local health integration networks must be made on the basis of public interest and must be made in full public view. We must no longer pretend that a head office can sensibly maintain relationships with thousands of health-care providers and still hear the voices of communities and patients. Head office can't but LHINs can. They can and they will. I know that because they are already doing it. Each or at least many of the inaugural LHIN CEOs and board chairs are here today and each one of them can tell powerful stories about a system awakening to its own potential. Decisions they make will reflect the advice they receive and will acknowledge the community that they experience. So our choice of the word "local" was very deliberate. When we say local we mean local.

The second word is "health" because that and that alone is what LHINs are all about—the health of Ontario's patients. Their crucial objective is to improve and strengthen patient care in their communities, and we're proposing to give them the power to do this. Specifically LHINs are expected to have responsibility over hospitals, community-care access centres, mental health and addiction agencies, long-term care homes, community health centres and community support service organizations. The Ministry of Health will be better able to focus our energies on our crucial strategic mission while initially retaining responsibility for ambulance services, for laboratories, for provincial drug programs, independent health facilities and for public health. Doctors do not come under the umbrella of this legislation because we believe that physician services are a large provincial program that requires provincial standards and management.

The third word is "integration" and I predict that this is where some people will try to create mischief and spread misinformation, the same people who blindly defend the status quo. So let me tell you what integration means. It means positioning Ontario to take advantage of advances in technology.

And for this I tell a simple story. In Ontario we deliver hip and knee surgery in more than 50 hospitals, closer to 55, and all I ask is that in an environment where technology very often enables us to take big leaps forward, where the surgery can become as an example less invasive, if we have a platform that is that broad does anyone really believe that we will be able to take advantage of all that technology has to offer? Here in the province of Ontario as a result of our wait-times strategy, we have basically purchased every hour, every minute of surgeons' times. That is based on the way that surgeons work now in our province. In Ontario orthopedic surgeons spend 35 per cent of their time in operating rooms. In the United States it is 65 per cent of the time. We have the potential in our province to lead the way across the country and to show people the way, the new way of doing things.

Some people will pretend that this is an exercise in cutting costs. But the reality is that health-care spending in this province will continue to grow and we all know it. The real question is not will spending grow, but what will we get for it. This is an exercise in empowerment—empowering patients, empowering communities, empowering them to identify and to address gaps in health care. LHINs will be able to make the necessary changes consistent with their understanding of and connection to the local community and to the needs of Ontario's patients.

The final word is "network." Local health integration networks will truly function as networks, sharing information within their areas and with one another. For the first time, we will have networks in place that will allow us to build a true system. Instead of being an empty phrase, the term health-care system will have actual meaning. That means that when good practices emerge in one part of the province we will now have a platform to spread that best practice province-wide and the big winners of course will be our patients. That's what I call the system helping the system.

As I said earlier, one of the key tests of public institutions is equity. The legislation that we are introducing will be a profound step in this direction as we return one of the public's most precious assets to them. After all it belongs to them. They are the ones who pay for it and deserve a much better chance of exerting influence over it.

I had an example of this in spades. I was very recently in Bramalea, part of the great city of Brampton, to talk about our local health integration networks. On that day I was approached by two women, one of whom works for Hospice Peel and one of whom works for Hospice Dufferin. These are places on either side of a political line drawn on a map, but for eight long years those two organizations have sought to get help from the Ministry of Health to make a $22,000 adjustment, an equity adjustment, in the way that their budgets have been determined. When they came and approached me I immediately took them to Joe McReynolds and told them that this was the man that we had asked to be the chair of the local health integration network in their area. I have an awful lot of confidence that a guy with community roots like Joe McReynolds will be able to resolve the situation that for eight years has been a real problem for Hospice Peel and for Hospice Dufferin. This is why we have to take health care more to the people.

The Local Health System Integration Act is about more than local health integration networks. As the name suggests, it is about system integration and another part of this integration is community-care access centres. Community-care access centres or CCACs are a crucial part of our health-care system but there is room for improvement. Under our proposed changes there will be no disruption in the crucial relationship between case managers and clients and all existing CCAC storefronts and offices, all 209 of them spread across this vast province, will remain in place, but in order to provide more efficient and more effective service this bill will enable us to reduce the number of CCACs from 42 to 14 in order to align with local health integration network boundaries. CCACs are aware of this proposed alignment and in fact many of them have advised us to do it because this alignment makes sense. It will create a system positioned to provide improved and equitable access for all CCAC clients and contribute to improved efficiencies.

We are also introducing changes to allow CCACs to select their own members and executive directors. By taking this step we will be returning CCACs to the communities that they serve, reversing a move by the previous administration to steal CCACs away from their communities. Finally this bill will allow us to broaden the mandate of CCACs. We'd like to see or examine how more clients might use CCACs as their first point of contact for a range of community services because they are ideally positioned for this role as system navigators. CCACs are an important and an effective part of our health-care delivery system. We want to make them even stronger still.

Let me take a moment to highlight one more important component of the legislation that we are introducing, that dealing with back-office integration. I think all fair-minded people recognize that there is room for greater integration in our health-care system. But hospitals sharing a single payroll system rather than replicating it hundreds of times just makes sense. In an era of scarce resources I believe that we have an obligation to direct every possible dollar into patient care and if we can realize more resources for patient care by say integrating back office functions, I think that's the right thing to do. In fact I think that's long overdue. This bill gives LHINs the power to do that and the procedures we're proposing are familiar to and respected by labour.

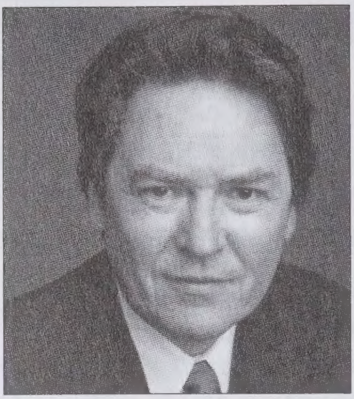
Roy Romanow, someone whose understanding of health care and whose ideas on improving health care have enormous resonance with me, once said that the Canada Health Act which enshrines in law our nation's commitment to medicare is missing a sixth principle, namely accountability. That's precisely what we want to introduce.

Our commitment to medicare is deep and it is unshakeable. I've always said that medicare is the best expression of Canadian values. I want to help build on Canada's distinguished and historic commitment to medicare, not because this is an abstract political goal or because it is some kind of legacy project, but because medicare is the most profound way in which government performs its most sacred task—serving its people. It saddens me how often the people most affected by political decisions are overlooked and even ignored as those decisions are being made. That is not my style of politics. That's not the promise I made to the people of my riding, the people who elected me, the people who taught me the meaning and the power of community.

My friends, I will be holding my head high an hour or 30 minutes or so from now when I table the Local Health System Integration Act on the floor of the Ontario legislature because I'm extremely proud of the legislation we are introducing and because I am absolutely certain that it's the right thing to do. And I offer this piece of legislation in the profound hope that my friend Stephen's first granddaughter born yesterday at Markham Stouffville Hospital might enjoy a long and healthy life and the familiar embrace of medicare.

Thank you very much.

The appreciation of the meeting was expressed by Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada.



December 1, 2005

Dr. Peter Simon

President, The Royal Conservatory of Music

LEARNING THROUGH THE ARTS

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Anne Fotheringham, Owner, Fotheringham Fine Art, and Director, The Empire Club of Canada; Kathryn Ballantine, Grade 12 Student, Rosedale Heights School of the Arts; Bluma Appel, Chair, Canadian Foundation for AIDS Research; Ana Lopes, Vice-Chair, Board of Directors, and Chair, Governors' Council, Toronto Symphony Orchestra; Marie Moliner, Regional Executive Director, Ontario, Department of Canadian Heritage; Dr. Marta Witer, Optometrist; Ian Ihnatowycz, President and CEO, Acuity Funds Ltd. and Acuity Investment Management; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; Grant Kerr, Pastoral Staff, St. Paul's United Church, Brampton; Florence Minz, Chair of The Board of Directors, Royal Conservatory of Music; Helen Burstyn, Chair of The Board of Directors, Ontario Trillium Foundation; and Joe Natale, President, TELUS Business Solutions.

Introduction by William Whittaker

Music, which is the Royal Conservatory's raison d'etre, is central to the human experience as illustrated by the following random quotations, some of which are no doubt familiar to you:

- "If music be the food of life, play on"—William Shakespeare, Twelfth Night;
- "If a composer could say what he had to say in words, he would not bother trying to say it in music"—Gustav Mahler;
- "Music expresses that which cannot be said and on which it is impossible to be silent"—Victor Hugo;
- "After silence, that which comes nearest to expressing the inexpressible is music"—Aldous Huxley;
- "Music is the shorthand of emotion"—Leon Tolstoy;
- "You can't possibly hear the last movement of Beethoven's seventh and go slow"—Oscar Levant, explaining his way out of a speeding ticket; and
- "I worry about the person who thought up Muzak may be thinking up something else"—Lily Tomlin.

I end my random quotes with one about the Beatles:

"Theirs is a happy, cocky, belligerently resourceless brand of harmonic primitivism...

In the Liverpudlian repertoire, the indulgent amateurishness of the musical material, though closely rivaled by the indifference of the performing style, is actually surpassed only by the ineptitude of the studio production..."—Glen Gould

Mr. Gould, who was a better musician than music critic, was of course, a graduate of the Royal Conservatory receiving his Diploma in Music at age 14. Other people from Canada's music history who were affiliated with the Royal Conservatory, were Edward Johnson, Nicholas Goldschmidt, Lois Marshall, Teresa Stratus and Jon Vickers. I am certain there are others who I missed when researching my introductory remarks.

I am embarrassed to note it has been sometime since the Canadian Club of Toronto and our club have had a speaker from the Royal Conservatory—a terrible oversight given its importance to Canadian culture and the City of Toronto. While both clubs have recently had speakers from Toronto's other cultural institutions, the last speaker we had from the Royal Conservatory was Dean Boyd Neal who spoke to us over 50 years ago on "Music and the Empire." Times have certainly changed!

I note the Empire Club is not alone in ignoring the Royal Conservatory. The narrative of the Toronto Historical Board's plaque on the lawn of Glen Gould's childhood residence at 32 Southwood Drive in the Beaches district of Toronto details his career but does not mention his association with the Royal Conservatory. While the Empire Club is making amends in inviting Dr. Simon to speak to us today, perhaps someone should speak to the Toronto Historical Board about changing its plaque!

The Royal Conservatory of Music, the largest and oldest independent arts educator in Canada, was founded in 1886 as the Toronto Conservatory of Music. It was the first institution of its kind in Canada: a school dedicated to the training of singers and musicians, and also to instilling a love of music in young children.

In 1947, the Royal Conservatory was granted its Royal Charter in recognition of its status as one of the Commonwealth's great music schools. Since that time, the Royal Conservatory has evolved and grown to its present-day core programs: the RCM Community School, The Glenn Gould School, the Young Artists Performance Academy, Learning Through the Arts, the Frederick Harris Music Co. Limited and RCM Examinations.

Dr. Simon became President of the Royal Conservatory in 1991 when it became independent from the University of Toronto. His tenure as president has been one of achievement for the Royal Conservatory, the latest being the Telus Centre for Performance and Learning, which you will hear more about today.

Peter Simon began his relationship with the Royal Conservatory as a student of Boris Berlin's in the 1960s. He received his Doctor of Musical Arts in 1983 from the University of Michigan while studying with Leon Fleisher. From 1986 to 1989, he was Director of Academic Studies at the conservatory, leaving to become President of the Manhattan School of Music until his appointment as President of the Royal Conservatory.

Please join me in welcoming Dr. Peter Simon, President of the Royal Conservatory of Music, to our podium today.

Peter Simon

Mr. President, honoured guests, ladies and gentlemen, thank you for inviting me to speak today; it is an honour to be here.

As most of you know, the Royal Conservatory is in the midst of one of the most exciting growth periods in its 120-year history. Four years ago, our community of outstanding volunteers, faculty and staff decided to take on an enormous challenge—to raise $85 million to build a new home, a centre for performance and learning.

This facility will be the first in the world dedicated to creating educational programs that use the arts to develop aspects of thinking, learning, and communicating that we believe will be increasingly essential for success in the future—and allow the RCM to build on its unique legacy as the most socially relevant and impactful cultural organization in Canada.

The RCM was founded in 1886 when Canada was an emerging nation with a nascent industrial economy and limited educational resources. The RCM responded to the need for children to further their development by creating a national system for music education. It trained teachers, created and published a curriculum, and put in place standards through an examination system.

These efforts and those of the RCM's many graduates ultimately led to the creation of a vast cultural infrastructure across Canada consisting of music schools, orchestras, choirs, ensembles and music studios, all of which gave Canada an extraordinarily strong base for the development of the creative impulse among its people. It is safe to say that few cultural organizations in the world have had such an impact on the character of a nation as has the RCM.

The structure of the conservatory has evolved considerably since then and now includes six main areas of activity, all of which pursue our mission—to develop human potential through the arts.

The six areas are:

- The Glenn Gould School through which the most gifted young musicians from Canada and many other nations receive their final level of preparation before inspiring us all on the great stages of the world;
- RCM examinations, which set and evaluate standards of music-making;
- The Frederick Harris Music Company, Canada's largest print music publisher, which publishes the works of more than 100 Canadian composers;
- The RCM Community School, which offers instruction in multiple forms of music and also houses

our acclaimed early childhood development programs;

- Learning through the arts—a program used in 50,000 classrooms in public schools across Canada—which has elevated the academic performance and personal development of hundreds of thousands of students;
- A new media area begun very recently, which develops technology-based programs and online tools that will develop the ear, simplify notation and eliminate barriers to learning and creating music for young people.

Our new home, which will be called the Telus Centre for Performance and Learning, will give us the kind of facilities and technological capabilities that will maximize the impact of all of these areas on the relationship that Canadians have with the arts.

It will also allow the RCM to enter a new field of activity—a seventh division—concert and event presentation. The new facility will have three great performing spaces—Koerner Hall, the Siemens Theatre and Mazzoleni Hall located in our heritage building, which has recently been named Ihnatowycz Hall.

It will be a great place to visit—where you can take a drumming class or a Cuban jazz piano lesson, follow it up with a lecture about opera, have dinner and listen to a great singer or pianist or orchestra in Koerner Hall and finish the evening with a drink on the roof top lounge. Personally I plan to just move in and live there.

With this facility, the conservatory will have the infrastructure to respond to the needs of Canadians in the 21st century in the same way that we did 100 years ago.

Indeed, we are a decade into an ambitious agenda to fashion new learning programs suited to the needs of Canada in a post-industrial, technology and knowledge-based economy.

Today, nations are seeking ways to educate people who can thrive in the fast-paced working and living environment dictated by powerful new technologies; people who can grasp the implications of disparate and vast quantities of data and through their creativity formulate strategies, new ideas and better solutions to problems.

If Canada is to succeed in an ultra-competitive, global environment then all educational organizations must redouble their efforts. Most significantly, our public education system must find a way to respond to new needs.

The public education system faces a particularly heavy burden at the moment. Among its challenges are rising expectations for student performance, a more prescriptive curriculum that has the un-intended effect of limiting the creativity of teachers, intense change in the composition of the student body and a media revolution that has made young people impatient with traditional lecture-style teaching.

The system is handicapped in addressing these issues by the pressures of day-to-day classroom life, and by a funding system that is geared to the present, and hence cannot support the kind of sustained research that leads to program innovation and is the basis for productivity gains and competitiveness in the private sector. As a not-for-profit organization whose fundamental obligation is to serve society, we believed it was our responsibility to help the public education system in whatever way we could because this is the most important issue we face.

In 1994, the RCM began a partnership with school boards to provide the kind of long-term research required to develop methods by which major gains could be achieved.

We believed that the key to achieving such success lay in the re-introduction of the arts in schools as the central means to engage students in the learning of all curricular areas. This may seem like a bold notion, but one that I assure you is well supported and of course has historical precedents.

At an anecdotal level, I am sure that many of you have had occasion to observe the high level of engagement and energy young people put into a school musical production or other creative project. It is amazing to see students, who barely register interest in math or physics, investing hundreds of hours of intense work in a creative project. Why is this so? Well there is a strong sense of pride when a student is involved in the arts. It is their project, not their parent's or their teacher's. Also the arts add a social dimension to learning and peer activity is important at school age.

John Polanyi, Canada's Nobel-winning scientist said, "A great problem that I and my colleagues have as educators is not in pouring information into human vessels, but in motivating people. Motivation comes from a sense of excitement and exhilaration. This can come directly through an experience in the arts. All the things we do in the arts allow us to experience creativity and this in turn enables us to learn." In fact, neuro-scientific research over the past decade has given us much more exact and supporting information.

First, it shows that the arts invigorate our sensory channels. Once stimulated we draw in and retain information much more quickly.

Second, the arts invite us to make an emotional response to information and absorb it into our personal experience. Again, studies show that emotion plays a disproportionate role in the function of memory.

Third, scientists have also discovered that the arts strengthen connections between different areas of the brain involved in processing and storing information. This helps us to spot patterns and commonalities between separate areas of knowledge.

Fourth, science has shown that meditation energizes us and bolsters the structure of the brain as we age. It is the arts that can give our children a means for inner reflection.

One in five children comes to school in a stressed state due to family breakup or hardship or unsafe living conditions. The arts are a lifeline for children like that.

Our children are also subjected to an ongoing media bombardment unlike anything most of us ever knew, most of it unfiltered and all of it with an agenda of some sort. They need a counterbalance to this ongoing sales pressure.

The final scientific discovery I will mention is that of multiple intelligence—the concept that each of our brains have different sensory pathways which are better suited to inputs of one type or another.

Among the "intelligences" are the kinesthetic, the linguistic, and the interpersonal. People are generally stronger in one or more of these areas than another and will comprehend information more readily when it is presented in a way that suits their strongest channels.

For the past decade, we have concentrated on finding a practical means to capitalize on these discoveries. To this end we created our program—learning through the arts (LTTA).

It is of course a challenge to see how a single teacher can present information in ways that suit the diverse brain structures of 25 students. This is especially true given that the average teacher in Ontario receives less than 10 hours of training in the arts through the entire life of their degree program.

Our solution, greatly assisted by the government of Ontario and leading corporations such as TD Bank, has been to offer professional development programs to thousands of teachers in the use of the arts to teach core curriculum.

We also provide teachers in our program with three partners—artists whose work teaching the curriculum provides a natural vehicle for reaching children, a majority of whom are not receptive to an ongoing lecture method.

We have found that dance was very useful in allowing students to gain a more hands-on, physical grasp of abstract concepts in science. Aspects of visual art have proved very helpful in improving students' capacity to detect patterns in geometry or biology.

Recognizing the importance of understanding media in the future lives of students, we launched a LTTA media arts project in which students deconstruct the tools of the ever-pervasive new media, much of it arts-based, and use them to create their own content.

Through these diverse activities we create the means by which students can activate their sensory channels and make a personal connection to the subject matter.

So, after a decade have we proven that our arts-based system is better?

In 2003 one of the largest ever educational studies conducted in Canada, led by Dr. Rena Upitis of Queen's University, found that achievement in math by LTTA students was 11 percentile points higher than students in other schools, students were also more eager to attend school and social behaviours improved.

That is a remarkable increase, especially if you consider the amount of money invested to make it happen—less than $50 per student, per year, about half the price of one ticket to see the Maple Leafs.

Imagine what could be done if we had the resources to fully embed our approaches in day-to-day classroom activity!

We have been truly surprised by how quickly the community has responded to our vision to build a centre that can house our programs. Telus Corporation came on as our naming partner, and individuals like Michael and Sonja Koerner, Ian Ihnatowycz and Marta Witer, Wilmot and Judy Matthews, Leslie and Anna Dan, Marilyn

Thomson, Gert Wharton and many others, not to mention our friends in government, all supported us.

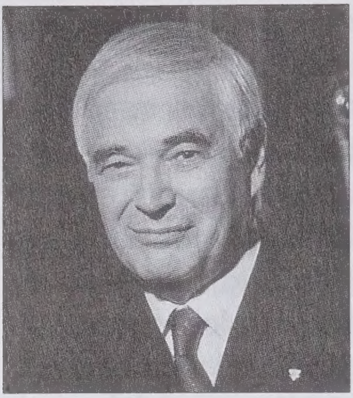
I believe they supported us because they sensed that something important hung in the balance. They wanted to join forces with us in a project that could bring renewal to a new generation that would ignite the limitless imaginative capacities of young Canadians and develop our nation's most important resource—its people.

It is our belief that those nations, that put arts and culture back into the forefront of learning and life, will produce the citizens the 21st century demands and the kind of environment we all want to live in, and to have our children live in.

And that is why, against heavy odds, a group of artists at Avenue Road and Bloor Street wanted to give Canada the world's first centre for creative education and thus renew the conservatory's 120-year tradition of community leadership.

Thank you for your attention.

The appreciation of the meeting was expressed by Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada.



December 15, 2005

The Hon. James K. Bartleman

Lieutenant-Governor, Province of Ontario

ANNUAL CHRISTMAS LUNCHEON SEASON'S GREETINGS FROM THE HON. JAMES K. BARTLEMAN, LIEUTENANT-GOVERNOR OF ONTARIO

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

David Edmison, Past Chair, Bloorview McMillan Children's Foundation, Timothy Eaton Memorial Church and The Empire Club of Canada Foundation, and Past President, The Empire Club of Canada; Don Murphy and Kari Murphy, Co-Founders of "Building Better Lives" and our Empire Club of Canada Community Service Award Winners; Reverend David Harrison, Incumbent, St. Thomas' Anglican Church, Brooklin; Fatima Abrar, Grade 12 Student, Marc Garneau Collegiate Institute; Brooke Daprato, Grade 12 Student, North Toronto Collegiate Institute; Bill Ryan, Director of Staff Care, The Yonge Street Mission; Joan Hallett, Community Member and Volunteer, The Yonge Street Mission; Rob Hardy, Community Services Co-ordinator, Salvation Army-Harbour Light; Kathryn Edith Langley Hope, Active Rotarian, Co-ordinator, Community Kettles Campaign, Salvation Army North Toronto Temple; Gareth Seltzer, Past National Chair, Funds Development, The Canadian Breast Cancer Foundation, Board Member, Canadian Foundation for Aids Research, The Seltzer-Chan Pond Inlet Foundation and Breakfast for Learning Foundation, and Past President, The Empire Club of Canada; Margery Balfour, Volunteer, Sunnybrook and Women's College, Health Sciences Centre, Veteran's Wing; Duncan Graham, President of the Veterans and Community Resident Council; Talia, "Wish Child," The Make-A-Wish Foundation of Toronto and Central Ontario; Rhonda Evans, Grantor, The Make-A-Wish Foundation of Toronto and Central Ontario; Ernest King, Anishnawbe Health Toronto Centre; Chrystal Bouvier, Registered Nurse, Anishnawbe Health Toronto Centre; and Nicole Nantais, National Co-ordinator, The Dominion of Canada General Insurance, Annual United Way Campaign.

Introduction by William Whittaker

The Hon. James Bartleman was sworn in on March 7, 2002 as the 27th lieutenant-governor of Ontario, following 35 distinguished years in Canada's foreign service.

The following quotation aptly describes our lieutenant-governor: "Remember, every challenge that you overcome makes the next one easier."

His Honour has adopted these words of his grade 13 English teacher, Madelaine Roddick, as his life motto and those words have taken him from his Orillia birthplace and Port Carling childhood through many trials and tribulations to his position today.

Mr. Bartleman is a member of the "Min-jik-ning" nation and is an accomplished author. His first book, "Out of Muskoka," published in 2002, is a memoir of his early life and won the Ontario Historical Society's Joseph Brant award in 2003. This book has been followed by three others, "On Six Continents," "Rollercoaster: My Hectic Years as Jean Chretien's Diplomatic Advisor," and "Raisin Wine," all written while carrying out his duties as lieutenant-governor.

Mr. Bartleman has been a busy lieutenant-governor. While his Web site does not list all the speeches and visits he has made in his almost four-year tenure, when you google the name James Bartleman, you get 800 hits, most of which relate to newspaper reports of his various visits and speeches.

His Honour launched the Lieutenant-Governor's Book Program in 2004, and collected over 1.2 million used books, donated by generous Ontarians to stock school libraries in First Nations communities in Northern Ontario. His dedication to the issues of literacy, especially among Canada's northern and First Nation youth is first and foremost in his thoughts and we are honoured to have as our guest today the Lieutenant-Governor of the province of Ontario the Honourable James K. Bartleman.

Please join me in welcoming His Honour to our podium today.

James Bartleman

Thank you very much. I'm often introduced as the left-handed governor.

Mr. Whittaker, distinguished guests, ladies and gentlemen, I'm really happy to join you once again for the annual Christmas luncheon. I understand that the Empire Club has been hosting such a luncheon for well over 100 years and for the past five years has used the occasion to recognize outstanding community service. I applaud the club for doing so for at this time of the year when Canadians from all walks of life are in a festive mood, when friends and family get together, when gifts are exchanged and everyone is having a good time, it is important that we not forget those who are less well-off, those who are homeless, those who are ill and those who fall through the cracks in our social support system.

It is also a time to honour those individuals and organizations in our society who are at the front line in helping others. We need to show them that their efforts are supported by the broader public. And I'm really honoured today to be in the company of representatives of so many organizations such as the Make-a-Wish Foundation, the Salvation Army, the Sunnybrook and Women's College Health Services, the Young Street Mission and Free the Children.

I would now like to say a few words about two causes that I have embraced very strongly since becoming Lieutenant-Governor—mental health and the condition of Aboriginal children and youth.

On mental health, 10 per cent of Canadians at any one time are ill with a mental illness and yet only one in three ever seeks help. And of that one in three who seeks help, some 70 per cent are soon back on their feet and the others suffer largely in silence. They have a solitary pain, their families are burdened, there are enormous costs to the economy and the greatest tragedy of all of course is that the individual is not getting the treatment they should get because of stigma, which makes people afraid or ashamed to get help.

Together with Ron Ellis, Michael Wilson and other Ontarians who are often in the news, I have been participating in the Centre for Addiction and Mental Health Transforming Lives Media Campaign this year to try to change the attitudes of society and to encourage people, who suffer from a mental illness, to get help. You have probably seen my picture and those of Ron Ellis and Michael Wilson and others in newspapers and in Maclean's magazine and heard us on radio ads on various programs. We also appeared on the CFRB radio call-in show. I think it is very important that more Canadians become involved in this campaign. At this time of the year it is often difficult for people who are suffering from a mental illness such as depression when they see everybody having a good time. It reminds them perhaps of the old days and they think of their condition. I think it is very important that we give a thought to the message of our campaign, which is to fight stigma.

Now on the Aboriginal young people, I believe all Ontarians have been concerned at the situation in the remote reserves of the province, particularly highlighted by the water crisis in Kashechewan early this year. But there are problems far greater in importance in my view affecting the northern Native reserves in Ontario and, for that matter, Native reserves in remote areas across Canada and they are illiteracy and suicide.

I was really quite shocked when I began to visit First Nation communities in Northern Ontario to discover that, according to the testers from the Department of Education who go in and evaluate the learning levels of children, 50 per cent of children in grade one were tested as special needs children. And yet they were not cognitively impaired in any way. They were just as intelligent as other children.

I was even more surprised to learn when I attended a conference at Sick Kids Hospital on literacy and learning abilities among children that the same situation prevails in the United States in Native American communities, but when they introduced books and other intellectual stimulation the level of special needs children falls from 50 per cent to 10 per cent. So it is a simple case of equality of opportunity; of giving to those children the tools to have fulfilling lives to learn and to become leaders of their community.

I was also appalled that in many of these communities there are constant suicides among children—twenty-three so far in one area of Northern Ontario, some 10 times the rate among non-Native children. A great deal of it is due to the fact that the children lack self-esteem and they lack self-esteem in part because they don't know how to read. They don't know to function in a modern, globalized economy.

Therefore what I've tried to do is mobilize people of good will in our society and there is a tremendous number of people of good will in Ontario and throughout Canada. All we need to do is unlock that goodness and put it to proper use.

About a year and a half ago I launched an appeal for books to stock the libraries in First Nation communities and with the help of volunteers such as Kerry Murphy sorted 1.2 million books down to 850,000 books. We had no way of delivering them, so transportation companies were organized to deliver the books and the Ontario Provincial Police helped as well. Native airlines also stepped in and we delivered those books. Now we have established libraries throughout the North in most of the First Nation communities of Ontario and 26 of the 28

Friendship Centres. I followed that up by twinning most of the Native schools of the province—100 Native schools—with 100 non-Native schools so that Native and non-Native kids could get to know each other through the Internet, through writing to each other as pen-pals. That worked well and so then I moved on to twin all the schools of Nunavut with schools in the Greater Toronto Area. That has gone very well.

And then last summer to address the need that the younger children were not exposed to books and had a real problem with literacy, I established five pilot camps working with the Scouts, the YMCA, Frontier College, the National Aboriginal Literacy Organization and the World Literacy Organization and we ran camps for 365 children. I'm going to show you a DVD on that. Everything I do is with volunteers and the people who put this DVD together are volunteer photographers from major news organizations like Macleans, the Toronto Star, and elsewhere. They took time off their summer holidays to go up to the camps and to show the public what a transforming effect books and exposure to literature can have on kids, who otherwise are out of sight and out of mind. And on the basis of that success I'm going to open up 20 camps this summer. For $33,000, one community can have 45 children exposed to good books with trained volunteers from Frontier College this coming summer. So far I've got 10 organizations to put in $33,000 each and I'm looking for another 10 to have 20. I'm then going to go to the government to ask if it can match it. I then want a five-year commitment and I think we are really going to make a difference in the lives of young people using volunteers and building bridges between people in a major problem area affecting our society. So that is the really good news I'm bringing to you at this time of the year.

Now I'd like to show this DVD put together by volunteers showing what can be accomplished when people of good will are working together. Thank you very much.

The appreciation of the meeting was expressed by Gareth Seltzer, Past National Chair, Funds Development, The Canadian Breast Cancer Foundation, Board Member, Canadian Foundation for Aids Research, The Seltzer-Chan Pond Inlet Foundation, Breakfast for Learning Foundation, and Past President, The Empire Club of Canada.

The Empire Club was then entertained by the Regent Park School of Music choir led by renowned choral director Wayne Strongman.

Her Excellency The Rt. Hon. Adrienne Clarkson, CC, CMM, CD, Governor-General of Canada, and Honorary President, The Empire Club of Canada, The Hon. Henry N. R. Jackman, OC, KStJ, OOnt, CD, LLD, Honorary Chairman, The Empire Life Insurance Company, Honorary Chairman and Past President, The Empire Club of Canada, and Former Lieutenant-Governor of Ontario, and Col. Frederic L. R. Jackman, CStJ, OOnt, LLD, President, Invicta Investments InCorp., and Past President, The Empire Club of Canada.

Knowlton Nash, Broadcaster and Author, and Her Excellency The Rt. Hon. Adrienne Clarkson, CC, CMM, CD, Governor-General of Canada, and Honorary President, The Empire Club of Canada.

The Rt. Hon. Stephen Harper, PC, MP, Prime Minister of Canada, and Allan Fotheringham, Author and Columnist.

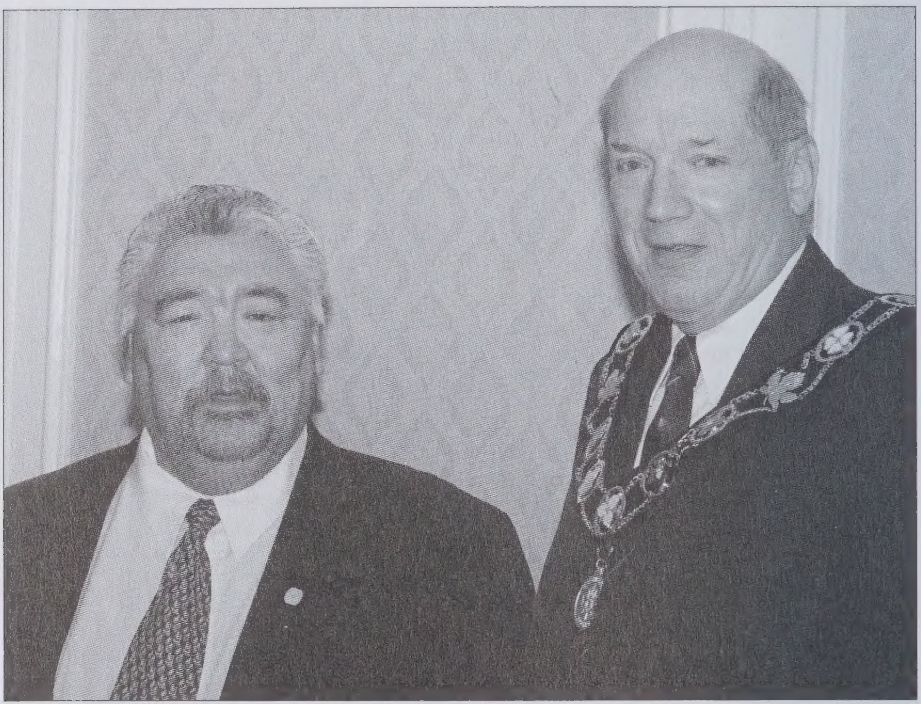
Professor Daniel Trefler, J. Douglas and Ruth Grant Canada Research Chair in Competitiveness and Prosperity, Joseph L. Rotman School of Management, University of Toronto, Beverly Brooks, MA, MBA, Senior Counsellor, Hill Knowlton, and Kenneth W. Smith, Managing Partner and Head, Canadian Corporate Practice, SECOR.

Allan E. Gotlieb, Senior Advisor, Stikeman Elliott, Toronto Office, and Former Ambassador of Canada to the United States of America, His Excellency Mr. Frank McKenna, Ambassador of Canada to the United States of America, and Catherine S. Swift, President and CEO, Canadian Federation of Independent Business, and Second Vice-President, The Empire Club of Canada.

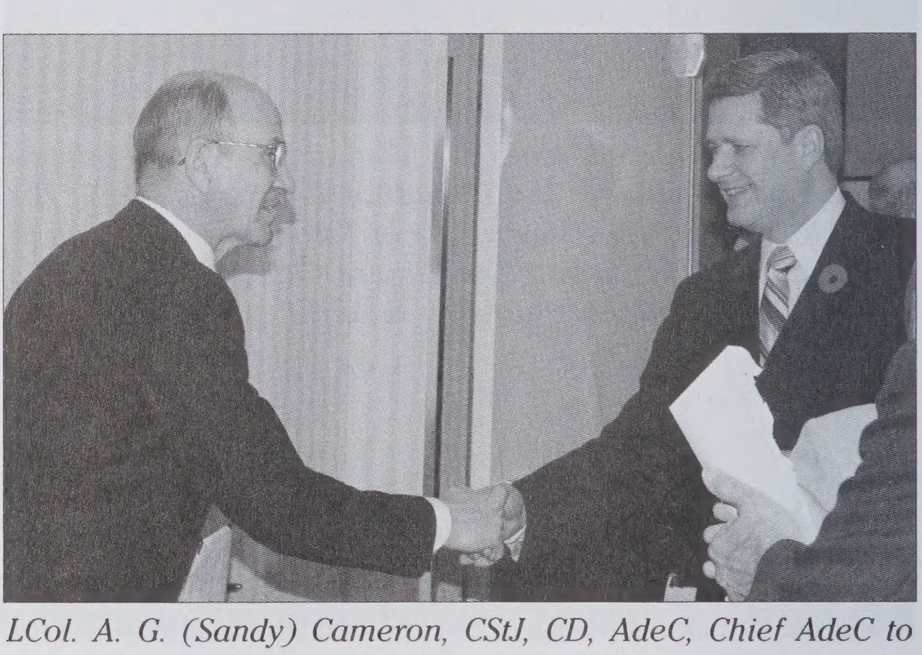
Reverend Vic Reigel, Pastoral Staff, Christ Church, Brampton, Andre Bodo, Grade 12 Student, North Toronto Collegiate Institute, Pierre Charlebois, Chief Nuclear Officer, Ontario Power Generation, and Rev. Dr. John S. Niles, Rector, St. Andrew's United Church, Markham, and First Vice-President, The Empire Club of Canada.

Kevin Dougherty, President, Sun Life Financial Canada, and Gretchen Van Riesen, Vice-President, Global Benefits and Pensions, CIBC.

Rod Phillips, President and CEO, Warren Shepell Consultants Corp,. and President, The Canadian Club of Toronto, His Worship, David Miller, Mayor, City of Toronto, and William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.



Jose Kusigak, President, Inuit Tapiriit Kanatami, and William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.



LCol. A. G. (Sandy) Cameron, CStJ, CD, AdeC, Chief AdeC to the Lieutenant-Governor of Ontario, and Director, The Empire Club of Canada, and The Hon. Stephen Harper, MP, Leader, Conservative Party of Canada.

Rosemary Waterston, Founder and Director, The Seltzer-Chan Pond Inlet Foundation, Dorene Seltzer, Chair, The Seltzer-Chan Pond Inlet Foundation, and William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.

Grant Kerr, Pastoral Staff, St. Paul's United Church, Brampton, and Ira Bernstein, Grade 12 Student, North Toronto Collegiate Institute.

Catherine S. Swift, President and CEO, Canadian Federation of Independent Business, and Second Vice-President, The Empire Club of Canada, Olivia Chow, Councillor, City of Toronto, and Simon Dwyer, Director, Government Relations, Bell Canada.

Reverend Dr. George Sumner, Wycliffe College, and Jan Kasperski, RN, MHSc, CHE, Executive Director and CEO, Ontario College of Family Physicians.

John C. Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada, and Stanley H. Hartt, Chairman, Citigroup Global Markets Canada Inc.

The Hon. Hugh Segal, Senate of Canada, Robert J. Dechert, Partner, Gowling Lafleur Henderson LLP, and Past President, The Empire Club of Canada, William J. Fox, Executive Vice-President, BCE Inc., Robert MacIsaac, Mayor, City of Burlington, Peter Mackay, MP, Deputy Leader, Conservative Party of Canada, and Ken Whyte, Publisher and Editor-in-Chief, Maclean's Magazine.

Margaret M. Samuel, CFA, Chief Investment Officer and Portfolio Manager, Quadrexx Asset Management Inc,. and Director, The Empire Club of Canada, and Miklos Nagy, CFA, President and CEO, Quadrexx Asset Management Inc.

David A. Rosenberg, Chief North American Economist, Merrill Lynch, and David Fleck, EMD Capital Markets and Head of Equity Products, BMO Nesbitt Burns Inc.

Reverend Douglas Kramer, St. Philips Lutheran Church, Etobicoke, William D. Laidlaw, Executive Director, Ontario Community Newspapers Association, and Past President, The Empire Club of Canada, and Reverend Dr. John S. Niles, MSM, Rector, St. Andrew's United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada.

Chrystal Bouvier, Registered Nurse, Anishnawbe Health Toronto Centre, Ernest King, Anishnawbe Health Toronto Centre, and The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario.

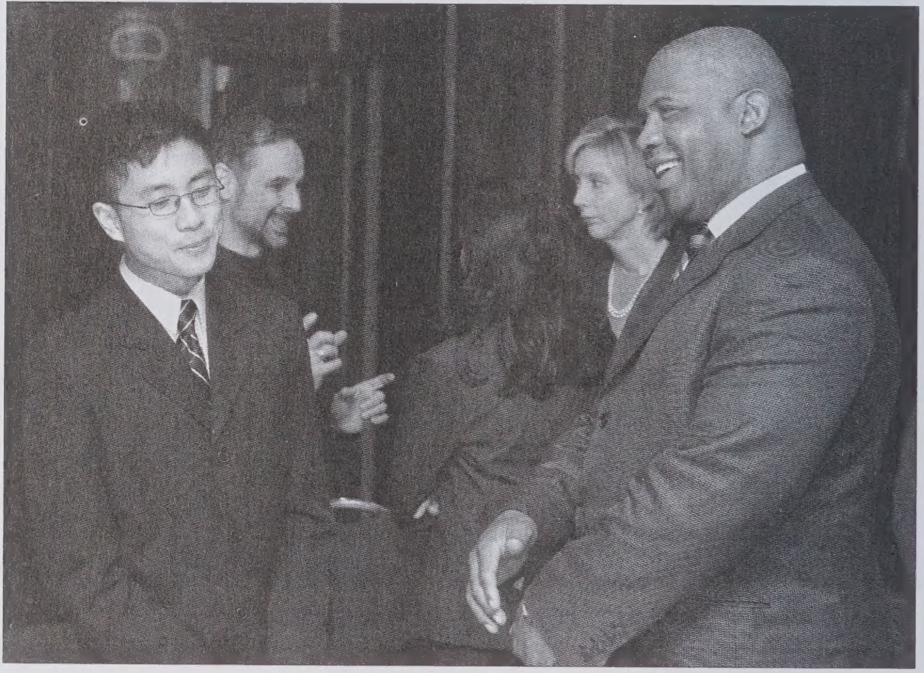
Madison Turner-Bob, Grade 12 Student, North Toronto Collegiate Institute, Heather Campbell, Director, Practice and Policy, College of Nurses of Ontario, and Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada.

The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario, William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, and Pipe Major John Wakefield, Former Pipe Major, The Toronto Scottish Regiment The Queen Mothers Own.

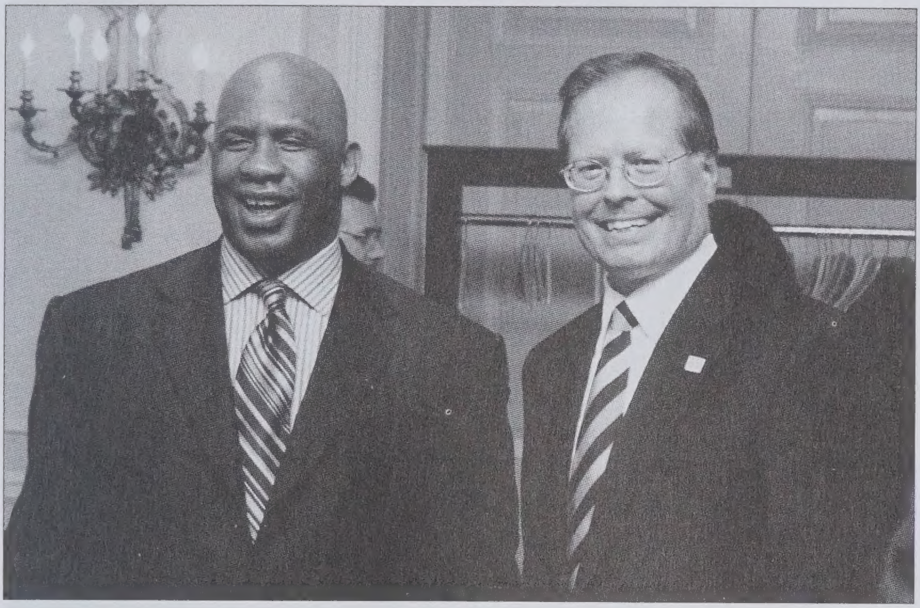
LCol. A. G. (Sandy) Cameron, CStJ, CD, AdeC, Chief AdeC to the Lieutenant-Governor of Ontario, and Director, The Empire Club of Canada, Anne Fotheringham, Owner, Fotheringham Fine Art, and Director, The Empire Club of Canada, Kathryn Ballantine, Grade 12 Student, Rosedale Heights School of the Arts, and Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada.

Don Murphy and Karen Murphy, Co-Founders of "Building Better Lives" and our Empire Club of Canada Community Service Award Winners, and The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario.

The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario, Duncan Graham, President of the Veterans and Community Resident Council, and Margery Balfour, Volunteer, Sunnybrook and Women's College Health Sciences Centre, Veteran's Wing.



Irvin Choo, Grade 12 Student, North Toronto Collegiate Institute, and Pastor Bruce Smith, King-Bay Chaplaincy.



Reverend Bruce Smith, King-Bay Chaplain, King-Bay Chaplaincy, and William F. White, President, IBK Capital Corp., and Director, The Empire Club of Canada.

The Rt. Hon. Paul Martin, PC, MP, HonBA, LLB, Prime Minister of Canada, Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada, Sheila Martin, Wife of the Prime Minister, and Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook.

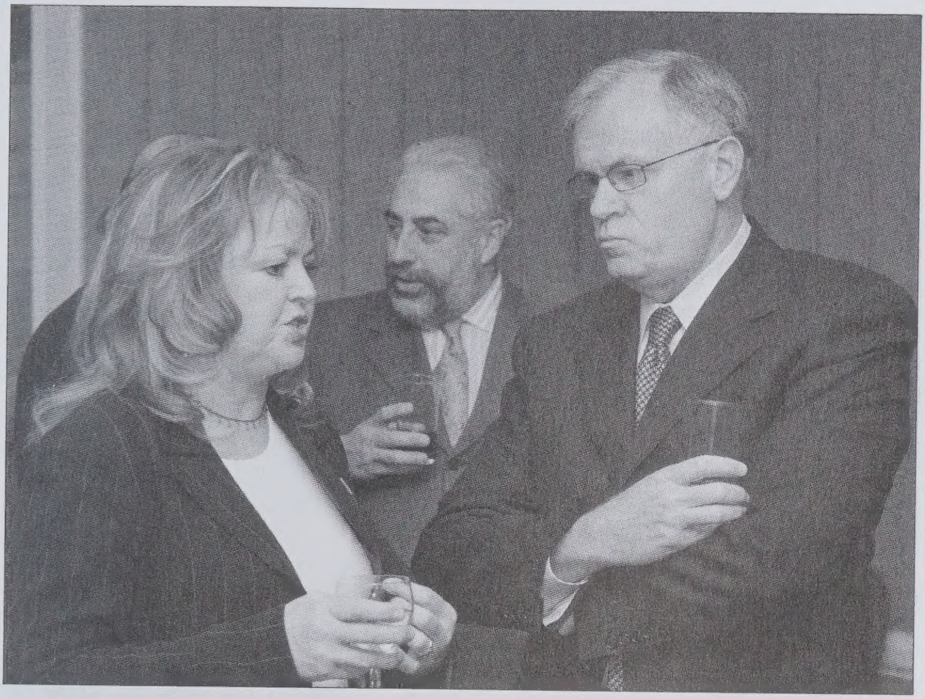
William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, The Rt. Hon. Paul Martin, PC, MP, HonBA, LLB, Prime Minister of Canada, and Rod Phillips, President, The Canadian Club of Toronto, and President and CEO, Warren Shepell Consulting Corp.

The Rt. Hon. Paul Martin, PC, MP, HonBA, LLB, Prime Minister of Canada, and John A. Campion, Partner, Fasken Martineau DuMoulin LLP, and Past President, The Empire Club of Canada.

Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada, Len Crispino, President and CEO, Ontario Chamber of Commerce and Jo-Ann McArthur, President and COO, Pigeon Canada Inc., and Director, The Empire Club of Canada.

Jim Sprott, Director, Relationship Management, Affinity Markets, Manulife Financial, David Flewelling, President, Canadian Automobile Association, and Rev. Dr. John S. Niles, MSM, Rector, St. Andrew's United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada.

Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, Donald K. Johnson, CM, Senior Advisor, BMO Capital Markets, The Hon. Col. Roy MacLaren, PC, BA, MA, MDiv, Politician, Diplomat, Historian and Author and Former High Commissioner for Canada in the United Kingdom, and Stanley H. Hartt, Chairman, Citigroup Global Markets Canada Inc.



Catherine S. Swift, President and CEO, Canadian Federation of Independent Business, and Second Vice-President, The Empire Club of Canada, and Stan Geffen, President and CEO, Insurance Bureau of Canada.

Yasmin Ratansi, MP, Constituency of Don Valley East, Azba Hathiyani, Grade 11 Student, Islamic Foundation School, Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada, and Joshua Furlonge, Senior Student, Monarch Park Collegiate Institute.

Thomas C. MacMillan, President and CEO, CIBC Mellon, Patrick D. Daniel, President and CEO, Enbridge Inc., Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada, and William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.

Elder Dr. Lillian McGregor, Honorary Doctorate (Law), University of Toronto, and Hanita Tiefenbach, Director, Intergovernmental and Aboriginal Policy Branch, Ontario Ministry of Health.

Dr. Ann Cavoukian, Information and Privacy Commissioner, Province of Ontario, and LCol. A. G. (Sandy) Cameron, CStJ, CD, AdeC, Chief AdeC to the Lieutenant-Governor of Ontario, and Director, The Empire Club of Canada.

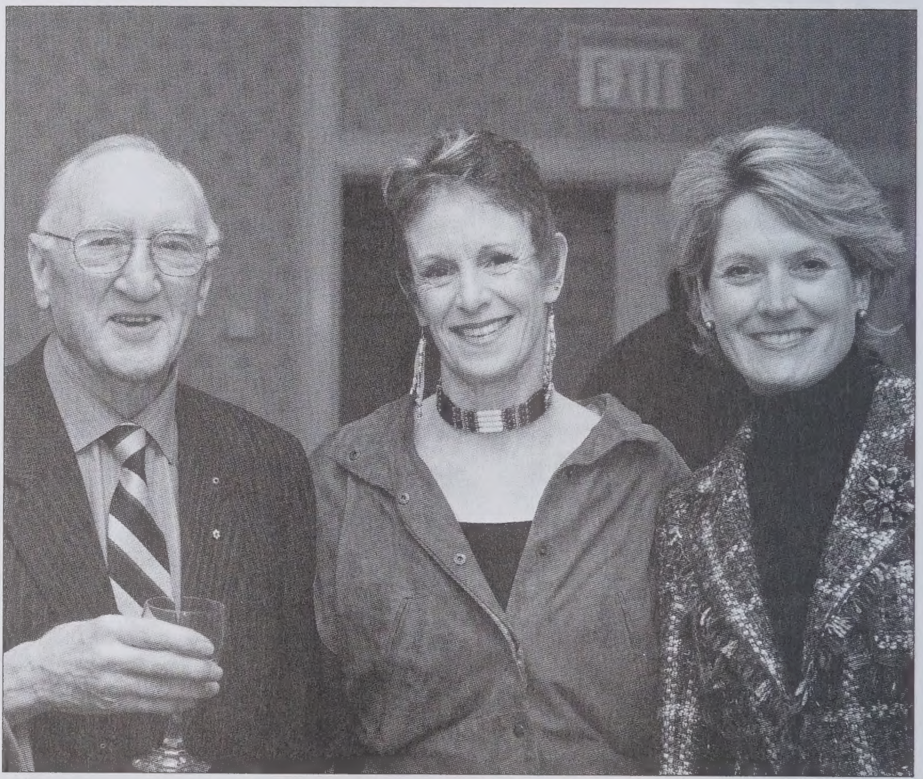
Back row: Scott Hand, Chair and CEO, Inco Limited, and Director, The Canadian Club of Toronto, Robert Prichard, President and CEO, Torstar Corporation, Stephen Motta, President, GE Money Canada, Mark Cohon, President and CEO, Audience View Software, and Chair, The Ontario Science Centre, William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, The Hon. Dalton McGuinty, Premier, Province of Ontario, Lisa A. Baiton, Vice-President, Government Relations, Environics Research Group, and Director, The Empire Club of Canada, Rod Phillips, President, The Canadian Club of Toronto, and President and CEO, Warren Shepell Consulting Corp., His Worship David Miller, Mayor, City of Toronto.

Centre row: Dr. Janice Gross-Stein, Director, Munk Centre for International Studies, University of Toronto.

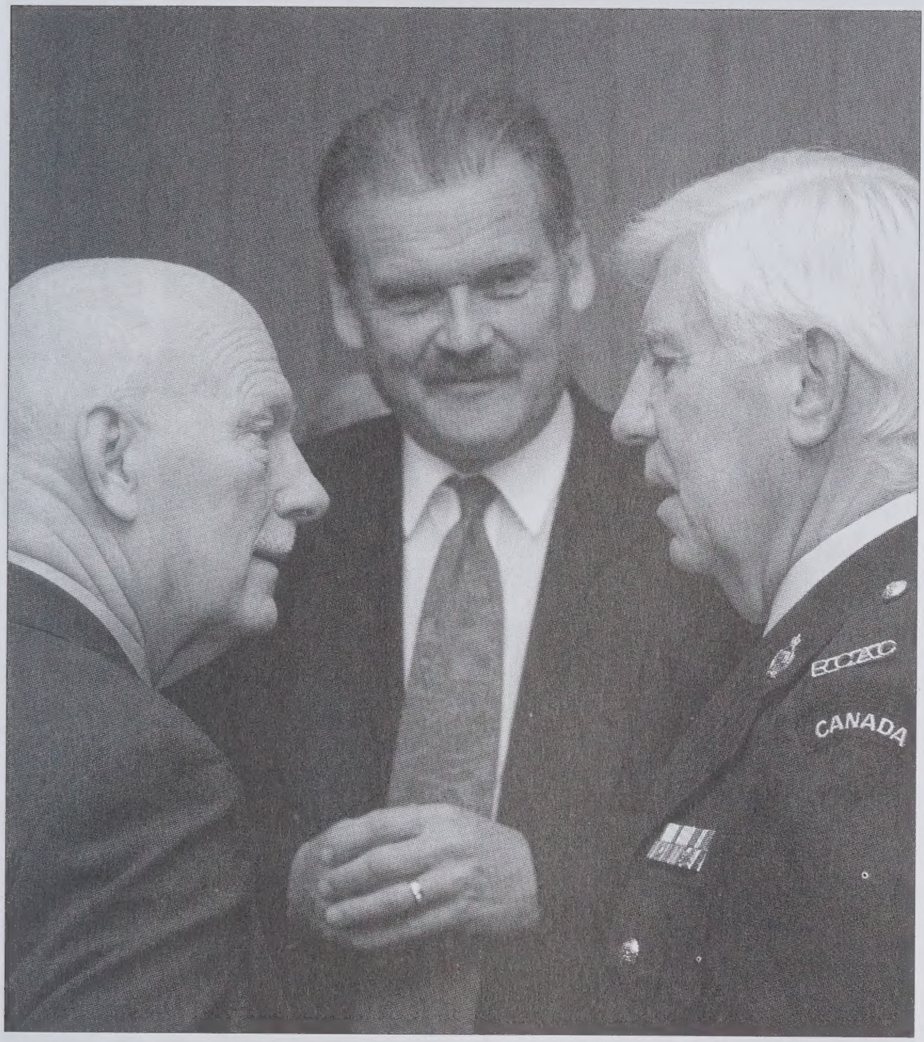
Front row: Renato Discenza, Senior Vice-President, Enterprise Sales, Bell Canada, The Hon. Marie Bountrogianni, Minister, Intergovernmental Affairs, Government of Ontario, Hilary Short, President and CEO, Ontario Hospital Association, Helen Burstyn, Chair, The Ontario Trillium Foundation, and Director, The Canadian Club of Toronto.

Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, Scott Hand, Chair and CEO, Inco Limited, and Director, The Canadian Club of Toronto, Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada, The Hon. Dalton McGuinty, Premier, Province of Ontario, and Rod Phillips, President, The Canadian Club of Toronto, and President and CEO, Warren Shepell Consulting Corp.

The Hon. David Ramsay, Minister of Natural Resources and Minister Responsible for Aboriginal Affairs, Province of Ontario, and Chief Phil Fontaine, National Chief, Assembly of First Nations.



MGen. (Ret'd) Reginald W. Lewis, CM, CMM, CD, Former Chief of Reserves, Former Hon. Col., The Royal Regiment of Canada, and Past President, The Empire Club of Canada, Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada, and Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada.



Col. Robert G. Douglas, KStJ, CD, FCSI, Honorary Lt.Col., Toronto Scottish Regiment, Vice-President, Investment Advisor, CIBC Wood Gundy, and Former Director, The Empire Club of Canada, Chris Korwin-Kuczynski, Former City of Toronto Councillor, Parkdale-High Park (1981–2003), and Col. Peter W. Hunter, CD, Colonel Commandant, Royal Canadian Armoured Corps, Former Co-Chair, Reserves 2000, and Former Director, The Empire Club of Canada.

William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, General R. (Rick) J. Hillier, CMM, MSC, CD, Chief of the Defence Staff, National Defence Headquarters, Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada, and Samantha Azzarello, Grade 12 Student, Riverdale Collegiate Institute.

Samantha Azzarello, Grade 12 Student, Riverdale Collegiate Institute, Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada, and Capt. Monique Roumy, Padre, 25 Service Battalion, 32 Canadian Brigade, Land Force Central Area.

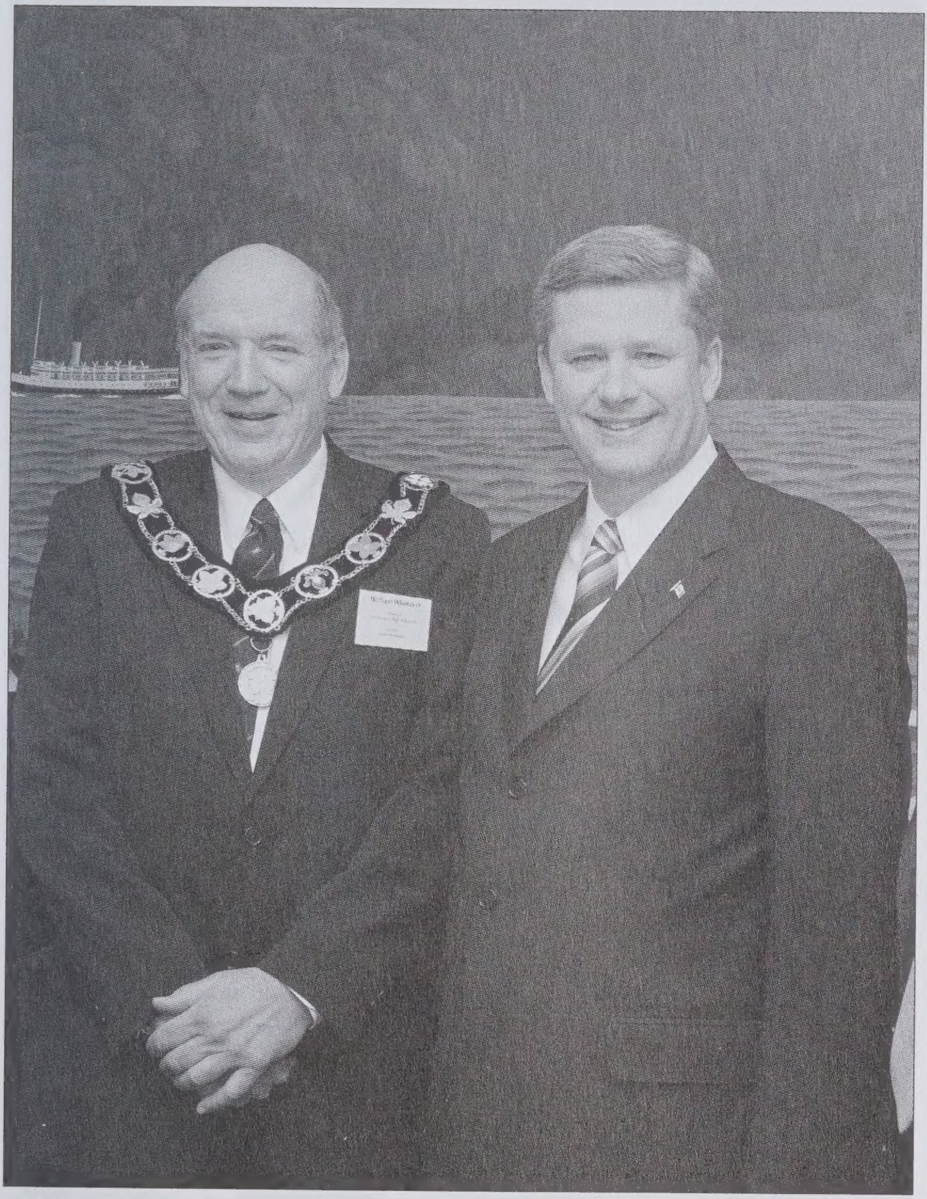
Raymond J. Protti, President and CEO, Canadian Bankers Association, and Gwyn Morgan, Executive Vice-Chairman, EnCana Corporation.

Byron C. Neiles, Vice-President, Legal, Regulatory and Public Affairs, Enbridge Inc., Gwyn Morgan, Executive Vice-Chairman, EnCana Corporation, William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, and Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada.

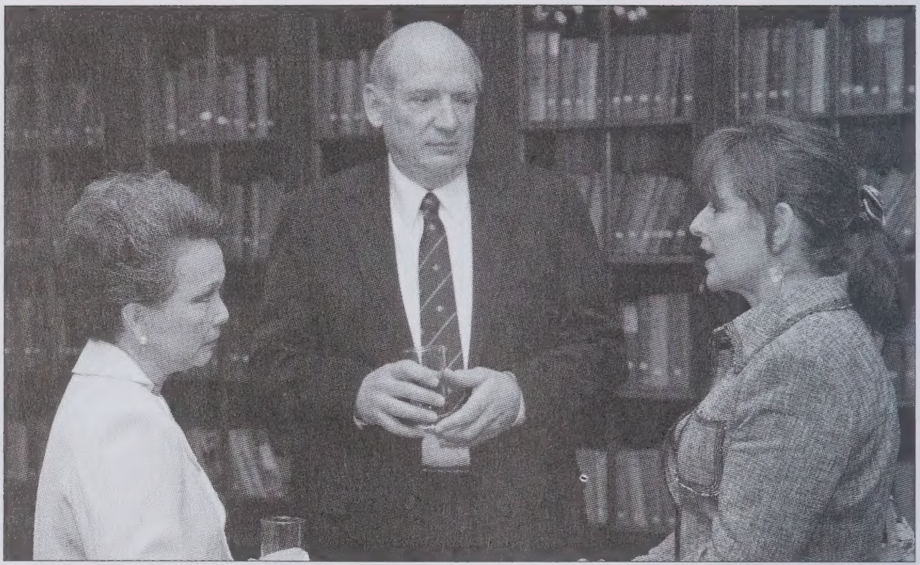
Bruce Rothney, Deputy Chairman, RBC Capital Markets, and Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada.

William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, Golnaz Nayerahmadi, Grade 12 Student, North Toronto Collegiate Institute, and Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada.

Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC,. Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, The Rt. Hon. John Turner, PC, CC, QC, MA, LLD, Seventeenth Prime Minister of Canada, and John S. Smith, Retired Senior Manager, Private Banking, The Royal Bank of Canada.



William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, and The Rt. Hon. Stephen Harper, PC, MP, Prime Minister of Canada.



Senator Vivienne Poy, Senate of Canada, William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, and Gail Asper, Managing Director, The Asper Foundation, and Campaign Chair, Friends of The Canadian Museum for Human Rights.

Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, Craig Kielburger, Founder and Chair, Free the Children, and Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada.

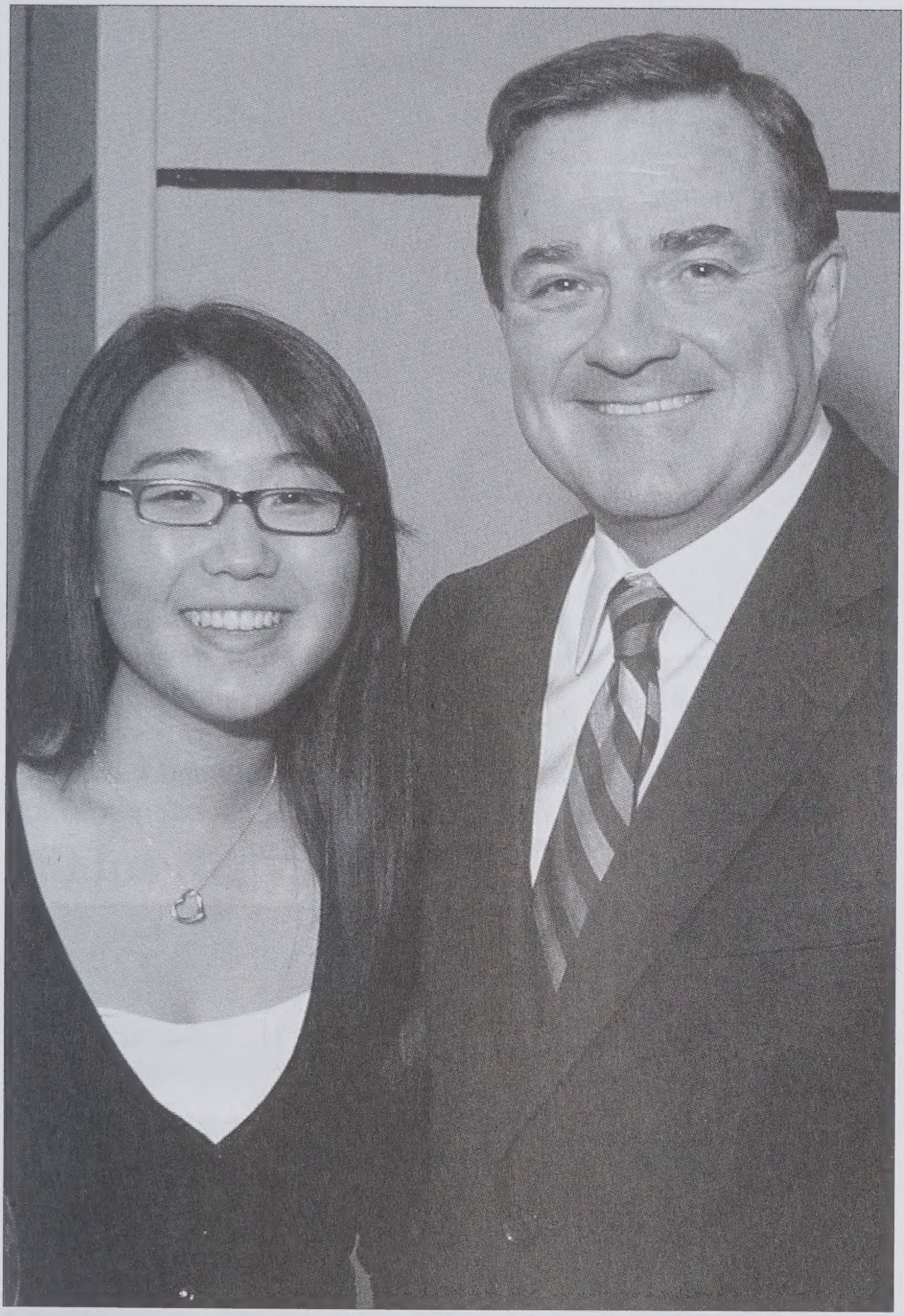
Kamal Hassan, Director, The South East Asia Group Ltd., and Director, The Empire Club of Canada, and Dr. Rafi Mustafa, President, IDRF, (International Development and Relief Foundation), Financial Institutions Canada.

Jordan Tannahill and Akela Peoples, Co-Founder, President and CEO, Youth in Motion. Inspired by the love of film and the need to assist the next generation of Canadian filmmakers, Jordan Tannahill, 17, from Ottawa Ontario, put forward $3,000 of his own money to start the Canadian National Youth Film Festival.

Fariba Anderson, Partner, The Manta Group, and Director, Youth in Motion, and Charles S. Coffey, Executive Vice-President, Government Affairs and Business Development, RBC Financial Group, and Third Vice-President, The Empire Club of Canada.

Natalie Raso and Akela Peoples, Co-Founder, President and CEO, Youth in Motion. In 2005, Natalie, 16, from Hamilton Ontario, conducted research which led to the discovery that a mutant Herpes simplex virus had the ability to selectively kill cancerous cells. This research gained Natalie a first at the 2005 Canada-wide Science Fair.

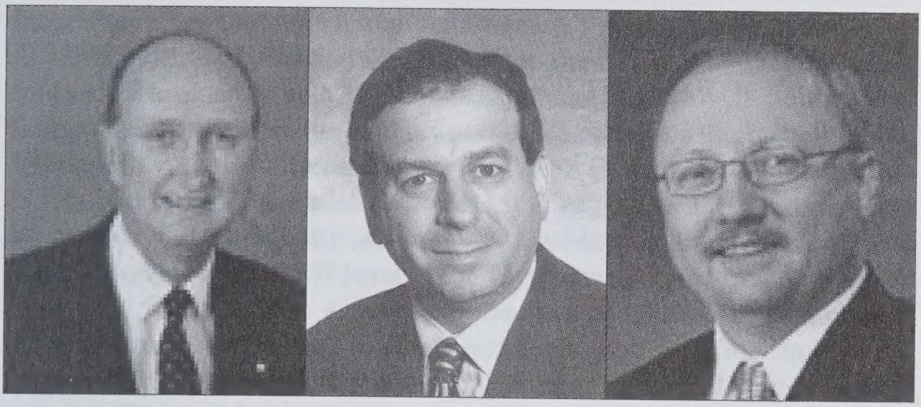
Kevin O'Brien, Partner, SECOR Consulting, Leonard J. Asper, President and CEO, CanWest Global Communications Corp., William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, and Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada.



Jen Bok, Grade 12 Student, North Toronto Collegiate Institute, and The Hon. James M. Flaherty, PC, MP, Minister of Finance, Government of Canada.

Hannah Taylor and Akela Peoples, Co-Founder, President and CEO, Youth in Motion. Since the age of five, Hannah Taylor, 9, from Winnipeg Manitoba, has opened her heart to people who are at the lowest point in their lives. Hannah founded a national charitable organization known as the Ladybug Foundation which has raised over $500,000 for homeless organizations.

Willis L. Blair, Former Mayor of East York, and Honorary Director, The Empire Club of Canada, and Her Worship Hazel McCallion, Mayor, City of Mississauga.



January 5, 2006

Anthony S. Fell

Chairman, RBC Capital Markets

David A. Rosenberg

Chief North America Economist, Merrill Lynch

Miklos Nagy, CFA

President and CEO,
Quadrexx Asset management Inc.

2006 INVESTMENT OUTLOOK

Chairman: **William G. Whittaker**, President,
The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, CFA, Chief Investment Officer and Portfolio Manager, Quadrexx Asset Management Inc., and Director, The Empire Club of Canada; W. David Wilson, Chair, Ontario Securities Commission; Thomas S. Caldwell, CM, Chairman, Caldwell Securities Ltd.; Reverend Bruce Smith, King-Bay Chaplain, King-Bay Chaplaincy; Jay Smith, First Vice-President and Investment Advisor, CIBC Wood Gundy; Robert L. Brooks, Senior Executive Vice-

President and Group Treasurer, The Bank of Nova Scotia, and Past President, The Empire Club of Canada; Richard W. Nesbitt, CEO, TSX Group; Jim C. Kelly, Managing Director, Canadian Liquid Product Sales, RBC Capital Markets; William F. White, President, IBK Capital Corp., and Director, The Empire Club of Canada; Eugene McBurney, Chairman, GMP Capital Corp.; Morley W. Salmon, Chairman, Limited Market Dealers Association of Canada; Christina A. Cavanagh, Executive Director, Toronto CFA Society; Nick Barisheff, Founder and President, Bullion Marketing Services Inc.; Joseph J. Oliver, President and CEO, Investment Dealers Association of Canada; Bruce Shaw, Managing Director, Institutional Equities, TD Newcrest; and David Fleck, EMD Capital Markets and Head of Equity Products, BMO Nesbitt Burns Inc.

Introduction by William Whittaker

We gather today to learn if the bulls or bears will be rampaging through our markets in 2006. A popular urban legend says we should look to the Super Bowl for the answer as a seemingly startling correlation appears to exist between who wins the Super Bowl and how the market will perform in the upcoming year. According to the "Super Bowl Indicator," a triumphant team from the old American Football League (now the American Football Conference) foreshadows a down market but a winner from the old NFL (now the National Football Conference) means dust off your red cape as the bulls are coming.

Believe it or not, the Super Bowl Indicator has been on the money 30 out of 38 times which by my math represents a success rate of more than 80 per cent.

An alternative theory linking the Super Bowl to stock market performance in reverse fashion postulates that Wall Street's results can be used to predict the outcome of the game. According to this theory, if the Dow rises from the end of November until Super Bowl day, the team whose full name appears later in the alphabet will win. So don't bet on the Indianapolis Colts this year.

Thankfully, we don't have to rely on the Super Bowl results to predict this year's market as our three speakers today will do that for us, hopefully with more accuracy!

I will introduce each speaker separately. He will speak for 10 minutes or so on his particular topic.

Our first speaker is Tony Fell, Chair of RBC Capital Markets. After joining Dominion Securities in 1959, Mr. Fell was appointed to various senior executive positions, including President in 1973, President and Chief Executive Officer in 1980 and Chairman and

Chief Executive Officer of RBC Dominion Securities in 1992 following its 1988 acquisition by the Royal Bank of Canada. Mr. Fell has served on numerous community and industry organizations including the Toronto Stock Exchange as Governor and the Investment Dealers Association of Canada as Chairman. He is currently a director of BCE Inc., Loblaw Companies Limited, CAE Inc. and Chairman of the Munich Re Group. He is also past Chair of the Board of Trustees of the University Health Network and was awarded the Order of Canada in 2001.

Mr. Fell.

Anthony Fell

Good afternoon ladies and gentlemen. It's a pleasure to be here to share some views on the investment outlook.

As time is short I am going to focus on two market segments: the outlook for commodity prices in general and secondly gold prices.

At the outset I should say that my focus is on the longer term, five years to a decade or more. A long view is essential in commodities because an analysis of the past century or more clearly illustrates commodity prices, both up and down, move in cycles averaging perhaps 15 to 20 years.

There is now a debate as to whether the upswing in commodity prices which started four or five years ago is a cyclical upturn now cresting with prices destined to decline, or just the first phase of a long-term secular uptrend.

A 15-year bull market in commodities, which saw the CRB Commodity Index more than triple, terminated abruptly in 1980.

This was followed by a vicious 20-year bear market from 1980 to about the year 2001, during which the CRB Index declined by half and far more than that in real terms.

This brutal bear market terminated in or around the year 2001 and in the most recent four years the CRB Index has risen by about 85 per cent—just slightly surpassing its previous all-time high in 1980.

It is my view that a new secular bull market in commodities commenced in 2001 and we are now four years into a rising commodity market which will last another decade and probably longer.

Having said that, no market goes in a straight line.

After very strong gains over the past four years, we may well see some consolidation in commodity prices or a modest pull back in 2006 before entering the second stage of the long-term secular uptrend which I believe will carry prices to much higher levels.

My positive view is based on several fundamentals.

First, for the past 25 years we have had massive underinvestment in all commodity areas including energy, and the broad cross section of metals—primarily due to low prices. Exploration programs were drastically reduced while many mines, smelters and refineries were shut down for both economic and environmental reasons.

So for more than two decades we have had reduced exploration, capacity closures and rising demand. Is it any wonder that major shortages, especially in energy and metals, are now looming?

The second factor is the lead-time required to bring on new capacity.

Developing natural resources isn't like the manufacturing business where you build a new plant, which will come on stream in a year or two.

First, you've got to discover a mine or an oil and gas field, then you have to get it permitted, develop it, build smelters or refineries and perhaps port facilities or long pipelines through remote areas. All of this can take up to 10 years.

Demands from aboriginal groups and environmental interests can add years to projects or stop them altogether.

Alaska's North Slope oil was discovered in 1968 and took nine years to get to market.

Oil was discovered in the North Sea in 1969 and finally got to market in 1977.

The Voisey Bay nickel mine in Labrador was discovered in 1993 and just came on stream last year.

Many experts believe uranium holds the answer to some of our energy concerns but the earliest a new nuclear plant could be on stream in the United States is at least 10 years out.

Third, for most natural resource companies, reserve replacement has become increasingly difficult. How many new mines or oil fields are there?

Most certainly, all have not been discovered but if you talk to the major mining companies large-scale new deposits are incredibly rare. For example, there hasn't been a new lead mine brought on stream anywhere in the world for more than 25 years and a number have been closed.

Is it any wonder the price of lead has more than doubled in the past few years? For much the same reason the price of nickel and copper has tripled and uranium has quadrupled.

With each year that goes by, oil and gas companies around the world are having increasing difficulty replacing reserves as production rates rise and oil fields deplete.

Ultimately reserve replacement in many commodities, especially oil and gold, will become an insurmountable problem.

Fourth, the cost of major new natural resource projects is escalating dramatically as companies must access more remote regions. Massive cost overruns on natural resource projects around the globe are the order of the day.

Fifth, not withstanding looming energy shortages, efforts and commitment to conservation, especially in

North America, are pathetically weak—almost non-existent.

Sixth, growth in Asia. Compared to previous commodity cycles over the past 100 years this is the big new kid on the block.

I'm not going to comment on this because the impact of growth in Asia on commodity markets has been massively covered by numerous experts.

Suffice to say, the underlying uptrend of commodity consumption in Asia is clear, it's strong, it's long-term and it's not going to go away.

Finally, commodities are gradually emerging as a viable and acceptable alternative asset class for major institutional investors, especially pension funds around the world, a number of which have already started to invest in commodities.

I believe institutional investors will increasingly look on commodities as a separate asset class, just like they do real estate or private equity.

It is estimated that global pension fund assets now amount to approximately $15 trillion so a 3-per-cent exposure to commodities would amount to $450 billion.

When you cut through it all, the case for rising commodity prices over the coming decade is quite simple and in my view crystal clear:

- Supplies on a global basis are finite and dwindling;
- Reserve replacement in virtually all commodities has become a major issue;
- Lead times and development costs are rising dramatically;
- Consumption is rising; and
- There will be increasing institutional investment.

We have here the ingredients for a continuation of the secular bull market in commodity prices over the coming decade.

Gold Prices

Notwithstanding volatility, I believe the price of gold and gold shares are going higher, probably much higher, over the coming several years.

Sometimes the best investment opportunities are so simple—so obvious—that the markets miss them completely. That's where oil was six years ago at $12 a barrel.

In the 1970s the price of gold went up 2,000 per cent. Most investors didn't see it coming.

I am positive on gold for the following reasons.

First: There has not been a major new gold discovery in the past four or five years and we will probably see peak global gold production in 2008. In the meantime I anticipate accelerating demand.

Second: Gold is one-part commodity and three-parts currency. It was J.P. Morgan who said in 1913, "Gold is money and nothing more."

Bear in mind when we talk about a strong dollar or a strong euro or yen we are really talking about the best of a bad lot. Central bankers notwithstanding, gold is the ultimate standard against which all fiat paper currencies are measured.

In the currency world, the U.S. dollar and the euro are becoming increasingly suspect. In the U.S. an ongoing trade deficit of three-quarters of a trillion dollars is off the charts and fiscal responsibility in America is a distant memory. In Europe, the new constitution was rejected and the ECB's one-size-fits-all monetary policy is proving highly devisive between countries.

In this environment gold bullion is gaining renewed credibility as a global currency and reserve asset. Over the past year, gold is up 21 per cent in dollar terms and 36 per cent against the euro and the yen. Over the past five years we have seen a major breakout of gold prices against virtually all currencies.

Third: How long will Asian central banks finance the U.S. trade deficit?

At last report nine Asian central banks held almost $3 trillion of foreign exchange reserves, almost all U.S. dollars. That's up about $400 billion over the past year.

Will Asian central banks increase their U.S. dollar holdings to four trillion or five trillion? I think not. My view is that Asian central banks are becoming uncomfortable and will be looking to diversify their reserve assets and gold will be on the shopping list.

Fourth: Central bank selling of gold used to be a concern to the market but no longer.

Central bank sales are diminishing and some central banks have stated their intention to increase their gold reserves. Central banks currently hold only a billion ounces valued at approximately $500 billion which is now just a rounding error in the overall scheme of things.

Fifth: Notwithstanding recent market action there is widespread investor skepticism of gold and gold shares, which is very positive.

A sixth reason I am positive on the outlook for gold is I believe over the past decade there has been a substantial increase in systemic risk in the global financial system which has benefited greatly from an extended period of incredibly low interest rates, easy credit and massive increases in global liquidity.

Emerging market and high-yield debt credit spreads are near all-time low levels and bank loan losses are minimal. Investors are reaching for yield and not being paid for risk.

Global imbalances in international trade and foreign exchange reserves are now so massive and have been going on for so long that they are accepted as normal—which they aren't.

Financial markets are now in a euphoric state with an overriding view that central bankers are in firm control and that we will never again have a really serious recession or a global financial crisis such as a run on the U.S. dollar.

Well, I don't believe it. Long periods of extremely low interest rates, high credit creation and massive liquidity often have an unhappy ending and the record shows that gold bullion represents an effective hedge and a solid store of value in times of economic and financial distress.

Finally, it is estimated total historical cumulative gold production amounts to five billion ounces. With annual gold production now running at only 76 million ounces, the total gold stock is increasing at the rate of only 1 1/2 per cent per year.

At the same time, governments around the world are increasing the money supply and creating credit at a rate of two or three times that and ultimately this simple fact will manifest itself in much higher gold prices.

Quality investment opportunities with real potential for major gains over several years don't come along very often and my advice is to be overweight in both gold bullion and gold shares.

Fortuitously, it is now much easier for investors to buy gold bullion. You no longer have to open a commodity or futures account. All you have to do is to buy the StreetTracks gold ETF listed on the New York Stock Exchange by stock symbol GLD.

Each share represents 1/10 of an ounce of gold safely tucked away in the vaults of the Hong Kong Shanghai Bank.

This investment vehicle has only been on the market for about a year but already the trust holds 8.5 million ounces valued at $4.5 billion which, as a matter of interest, is more than 10 per cent of global annual gold production.

In closing, I wish the Empire Club of Canada every continued success. The club has provided a valuable forum for discussion of the major topics of the day for more than 100 years.

I also wish everyone here today a great New Year and every success in your future investment programs and strategies.

Introduction by William Whittaker

Our next speaker is David Rosenberg, Merrill Lynch's Chief Economist for North America, who is responsible for formulating and communicating North American economic, interest-rate and earnings outlooks to Merrill Lynch clients.

Mr. Rosenberg joined Merrill Lynch in May 2000 as the Canadian Chief Economist and Strategist. He began his investment career in 1983 at the Bank of Canada as an economist. Prior to joining Merrill Lynch, Mr. Rosenberg was a senior economist at Nesbitt Burns and at the Bank of Nova Scotia.

Mr. Rosenberg.

David Rosenberg

Thank you. It's an honour to be here at the Empire Club today to deliver the macro and market message as we see it at Merrill Lynch, and it's a pleasure to be back home.

It's been exactly three years since I left Toronto for New York and I find that when I come back, the two questions I get asked the most is what my biggest regret has been, and what my greatest achievement has been. Well, the greatest regret, without a shadow of a doubt, was moving onto the U.S. payroll with the Canadian dollar at 62 cents. I often get accused of having stuck to my deflation theme far too long, but so would you if you had made a similar move. As for the greatest achievement, I'd have to say, its having replaced Steven Roach as the most pessimistic economist on Wall Street.

Maybe pessimistic is too strong a word—I prefer cautious or better yet contrarian. And I think in the forecasting business, to be successful you have to have a bit of a contrarian streak because if you never wager against the consensus, you're going to have trouble beating the market, and in this business, you only have to be right 55 per cent or 60 per cent of the time to be successful.

So getting to the fearless forecast, I think the consensus on the U.S. economy for 2006, which is 3.4-per-cent real GDP growth, is highly optimistic. Basically, the consensus is telling you that for the first time ever, a 200-basis-point tightening by the Fed, coupled with a 130-basis-point flattening of the yield curve, is not going to put a single dent in the economy the following year. I'm not really into predicting unprecedented events, and we have several models of the U.S. economy that all point in the direction of around 2 1/2-per-cent growth—hardly a disaster, and I actually think recession risks are quite low for this year, no higher than 20 per cent. But those risks rise for 2007 the more the Fed feels compelled to do in the next few months, given the lags that are involved. This is really a classic "soft landing" scenario, not that much different from the growth rates we had endured in 2003, 1995 and 1986—all years, by the way, that saw the Fed ultimately forced to cut rates. Be that as it may, if we are right, then the growth bulls, inflation mongers and bond bears are probably the ones that are going to be the most disappointed.

In terms of areas of the economy that we think are going to outperform this year, I would point to capex, exports and commercial construction as relative bright spots. Large-cap export-oriented industrials tend to have large foreign sales exposure, and since we're bearish on the U.S. dollar, this is going to translate into good earnings news for the capital goods group. The laggards will be consumer spending, especially on cyclically sensitive items, and housing, where the helium is already starting to come out of the balloon. In fact, the U.S. housing boom, both directly and indirectly, has permeated the economic landscape to such an extent that even a flattening in home prices, and the negative effect that would have over mortgage equity withdrawal and household cash flow, would alone drain more than a full percentage point out of consumer spending growth. So as far as I'm concerned, the single biggest risk to the outlook is what happens to home prices, and while the mania wasn't national in scope, it engulfed about 60 per cent of the U.S. by our estimates. I'm not predicting a collapse, but even a slowing in home prices is going to have its repercussions on the U.S. consumer.

Now from a "big picture" top-down perspective, when the economy slows to 2 1/2 per cent when potential GDP growth is closer to say 3 1/4 per cent to 3 1/2 per cent, you build up extra slack in the economy. So as we saw in 1995, the unemployment rate drifts a bit higher to 5.3 per cent from 5 per cent, inflation and inflation expectations recede, and in the coming year I expect to see both total and core consumer inflation plunging and converging near 1 1/2 per cent, and as part of that forecast we have built in a $55/barrel oil price assumption.

So that inflation landscape, along with real growth of 2 1/2 per cent, means we stand a very good chance of retesting 4 per cent on the U.S. 10-year note, and as I said earlier, there has never been a soft landing that did not involve a couple of Fed easings. And while it's not evident to the naked eye today, I think the economy will be soft enough to give Mr. Bernanke the leeway to embark on an easing cycle in the second half of the year and re-steepen what is an unsustainably flat yield curve today. All you have to know is that soft landings are fertile soil for Treasuries, and that's true whether or not yields are at 6 per cent, 5 per cent or 4 per cent. So we remain steadfast bond bulls.

Now I don't call the stock market any more. We have Rich Bernstein who is our chief strategist making that call in the U.S. and David Wolf here in Toronto making the call in Canada. Rich is forecasting 1,260 on the S&P 500 in the next 12 months so another flattish year. We like dividend growth and yield plays, defensive areas like staples, health care, utilities and telecom services, large cap over small cap and a continued focus on quality. Mr. Wolf sees 11,700 on the TSX, so another year of relative out-performance and roughly a 6-per-cent total return, and again underpinned by our overexposure to resource stocks, especially the metals.

Now I want to make this point and make it emphatically. I obviously do not have the rosiest of scenarios for the U.S. consumer. The combination of the lagged impact of the Fed rate hikes, the end of the housing boom and the steps that the regulators from the Office of the Comptroller of the Currency to the FDIC to the Office of Savings and Thrift are taking to curb the credit cycle are going to seriously test the "resilience" of the U.S. consumer. But don't mistake that with the other 80 per cent of the global economy, which I expect will continue to perform reasonably well. I just got back from Asia and there is a real buzz there. There is still no sign of anything but a boom in China and any country that can magically find $285 billion of missing GDP as it did last week is obviously a formidable force. That was like discovering that the entire Swiss economy was hiding in Guangdong province!

Japan's recovery is the real deal. This is the first time in 15 years that we have a pickup in domestic demand that's not hinging exclusively on government building of bridges and paving of river beds that nobody needs. The most impressive aspect of Japan's recent move to positive growth, beyond the fact that golf membership fees and land prices are going back up, is that bank lending is growing again. What was a defunct credit creation system for more than a decade has turned around visibly and that is vital for the sustainability of Japan's revival. And let's keep in mind that Japan, with an 11-per-cent share of global GDP, is still the second-biggest economy in the world and a big importer of commodities.

If Japan was the surprise of 2005, Germany, the world's third-largest economy, is probably going to be the surprise of 2006 and we're seeing early signs of that already. In fact, it's not widely known that the VAT tax in Germany is going to go up three percentage points in 2007, which means we're going to likely have a pre-VAT spending spree there in the second half of the year. This is all relevant to Canada because while our economy is sensitive to the U.S. with 80 per cent of our exports heading south of the border, the Canadian equity market is much more sensitive to the global economy, as we saw during the Asian crisis of the late '90s.

When we do the country-by-country bean count, it looks like global GDP growth in real terms will only slow fractionally this year to 3 per cent from 3.3 per cent, and that is a demand pace good enough to provide lingering support for the commodity markets in general. Now you take what is going to be a sustained positive income shock to Canada from the commodity bull market, more tax cuts coming, and a Bank of Canada that is now playing catch-up to the Fed, and it's very difficult to be anything but positive on the Canadian dollar outlook; and it's no longer glib to say that we'll hit par in the next few years.

Whether or not I'll be able to switch back to the Canadian payroll between now and then is a different story. Thanks for your time, today. Happy New Year and happy trading.

Introduction by William Whittaker

Our final speaker is Miklos Nagy, President, Founder and CEO of Quadrexx Asset Management Inc. Mr. Nagy is also Chairman, Cofounder and CEO of Canadian Hedge Watch Inc., a Toronto-based publishing and educational firm focusing on the Canadian hedge fund industry.

Mr. Nagy is a leading authority on alternative investments and hedge funds in Canada. He is a co-author of Canada's first hedge fund book "Hedge Funds for Canadians," one of the best selling financial books in 2004 and of the course material for the new Chartered Alternative Investment Planner designation.

Mr. Nagy is a founding board member of the Canadian Institute of Financial Planners, a member of the CFA Institute, the Toronto CFA Society and a founding member of the CFA Society of Budapest, Hungary.

Mr. Nagy.

Miklos Nagy

Mr. President, distinguished guests and members of the Empire Club of Canada, it's an honour for me to speak to you today and I'd like to begin by sharing a joke with you.

Three of the world's most successful and renowned money managers are travelling on the same private jet en route to an international monetary conference. Tragically, the jet develops engine trouble, loses altitude, and goes down over the Bermuda Triangle. There are no survivors.

In an instant, the three world-class money managers are standing before God's throne. There, at the gates of heaven, are Peter Lynch, the market-beater who made Fidelity Magellan a household name; Sir John Templeton, the legendary founder of the Templeton funds; and George Soros, the most daring and successful hedge fund manager of them all.

God addresses them and says, "I'm going to ask each of you just one question. How you answer will determine where you spend eternity."

Turning first to Peter Lynch he asks, "Peter, what do you believe in?"

Awestruck, Peter Lynch stammers, "Well... I'd have to say that I believe growth stocks should be a big part of every investor's portfolio."

"That's good, my son," says God. "Come and sit here at my right hand."

Now God turns to Sir John and repeats, "What do you believe?"

Templeton reflects a moment and then answers, "If truth be told, I believe above all in diversifying into international and emerging markets."

"Wonderful, my son," God beams. "Come sit at my left hand."

"And you, George," booms the voice of God, "what do you believe?"

And without a second's hesitation, Soros replies, "I believe that you are sitting in my chair!"

Joking aside, today I'd like to speak to you about hedge funds, their status over the past year and their prospects in Canada in this New Year, 2006. Now the term "hedge fund" has become rather a dirty word lately, particularly in Canada. In fact you might say that hedge funds have recently appealed only to reporters and politicians because they've been newsworthy, easy to blame and fascinating.

As of the end of 2005 the total assets under management in hedge funds worldwide is estimated to have been around US$1.2 trillion and, given that most hedge funds use some leverage, the total investment by hedge funds could actually be as much as twice that. This compares to about US$16 trillion invested in mutual funds. A mere 15 years ago in 1990, the total assets in hedge funds were about US$67 billion. What has caused this astonishing 21-per-cent-plus annualized rate of growth in hedge funds?

The answer is simple: their equally astonishing performance as measured by both return and risk. Between 1988 and the end of 2005 hedge funds on average delivered about 25-per-cent higher returns per year than the S&P500 with 40-per-cent less risk. Looking at the more recent and rocky past five years, as at the end of November 2005, hedge funds overall had averaged an 8-per-cent rate of return with 5-per-cent risk, (as measured by annualized standard deviation) while the S&P500 had an almost flat rate of return of 0.6 per cent coupled with about 15-per-cent volatility in the same period. Even though some research suggests that hedge fund returns may be somewhat overstated due to "non-reporting" bias, it is generally accepted that the risk-return profile of hedge funds is significantly better than that of the S&P500 and even more so when compared to long-only equity mutual funds (which also have survivorship bias).

The various global hedge fund indices that are tracked by a number of respectable organizations generally show significantly higher returns and—more importantly—lower risk, for hedge funds overall compared to any major equity index regardless of the time frame and/or geographical location. The degree of difference in favour of hedge fund risk and return and the amount and robustness of the data leave no doubt that this is not an aberration and that the stats can no longer be ignored.

What is it about hedge funds that produces these results? As far as the higher returns go it is simply their relative freedom from the constraints to which mutual funds are subject. The basic idea introduced about 60 years ago by Winslow Jones gives hedge funds three significant advantages: first the ability to invest a portion or even all the portfolio in short positions, second the use of leverage and third more concentrated positions.

Most important of these is the ability to invest in shorts as it provides a cushion and allows hedge funds to lessen the blows that equity markets inevitably suffer from time to time.

Some hedge funds have made spectacular returns and a few have suffered spectacular losses so, as with any investment, allocations to hedge funds need to be diversified. Don't put too much in any one hedge fund.

In the press it's been open season on hedge funds recently with alarming headlines announcing big losses, but those funds are very much in the minority. In fact, there are just two causes for higher than normal losses: bad management and fraud, and we know very well that hedge funds are not the only vehicles for fraud in the investment world. Human inventiveness is unlimited and while we should try to make fraud harder to commit we will never be able to eliminate it.

On the other hand, losses stemming from bad calls will occur sometimes because it is impossible to make spectacular gains without the corollary of occasional higher than normal losses. I strongly believe that if regulators increase hedge fund supervision too much in their effort to significantly reduce the extravagant losses that occur only infrequently, they will also suppress the healthy gains in this sector and eliminate most or all of the advantages offered by hedge funds.

Now let's turn to the risk part of the equation where the answer is even simpler. Hedge funds deliver superior performance with less risk because of their diversity. Equity mutual funds and large-cap indices are based on a relatively few large-cap shares and therefore they produce very similar results in terms of both return and risk. Hedge funds on the other hand can devise a virtually unlimited number of very different allocations, ranging from 100-per-cent long and 0-per-cent short, to 0-per-cent long and 100-per-cent short positions on their allocated assets. This results in a significant drop in overall risk for the group.

In Canada hedge funds grew slowly, and when markets were hot in the 1990s we only had a handful. Their rise in popularity was tied to the advent of the bear-market conditions between 2000 and 2002. While Canada had about 10 hedge funds at the beginning of 2000 with about $3 billion in assets under management, by the end of 2004 the numbers had swollen to about 200 funds with assets under management reaching almost $30 billion and comprising more than 5 per cent of the amount invested in mutual funds.

The Canadian hedge fund market has developed certain peculiar properties compared to hedge funds elsewhere. In Canada for some reason (I suspect because

Canadians are more risk-averse by nature) until early 2005, the fastest-growing type of hedge fund was the so-called Guaranteed Note. But there is no free lunch and while the principal in this kind of investment was guaranteed, by and large their performance was disappointing due to both their higher fee structure and the allocation of a large portion of their portfolios to bonds in order to provide the guarantee.

The year 2005 was not very good for the fledgling Canadian hedge fund industry because of the Portus and Norshield fiascos and the publicity they attracted. Still annual hedge fund performance in Canada in 2005 ranged from a high of plus 303 per cent to a low of minus 35 per cent. While undoubtedly the quantity of assets flowing to hedge funds in Canada has been reduced over the past 11 months in the wake of the Portus affair, we can only speculate what the results might have been if a case like Portus had been revealed years later.

For me the most welcome result of last year's negative publicity is the very significant slowdown in Guaranteed Note products in the Canadian hedge fund marketplace. They had flooded the hedge fund scene here and were marketed as a vehicle for small investors because they did not require the same minimum investment as do ordinary hedge funds. But neither did they offer the advantages of those ordinary funds. Hedge fund investment will continue to grow around the globe and in Canada regardless of the recent controversies so it's time to level the playing field for all kinds of hedge funds in this country, whether Guaranteed Note or any other type. The adoption of the same regulations and minimum investment requirements—regardless of product or province—are needed to nurture our home-grown hedge fund industry.

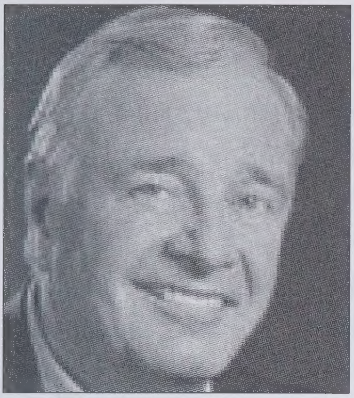
Looking to the future for Canadian hedge funds, I anticipate a growing demand by Canadians and an increase in the strong interest already being shown by foreign investors. Canada now hosts one of the largest annual hedge fund conferences in North America—the World Hedge Funds Summit—and it has a comprehensive alternative investment course and designation called "CHAIP" for advisors who want a demonstrable proficiency in hedge fund investing.

In 2006, Canadians and their advisors will once again look to hedge funds for the significant benefits they can offer compared to a traditional equity-bond portfolio. Also at play here in Canada will be the expected continuation of the bull market in natural resources, which are increasingly sought after by international investors. Many of those investors will be looking for exposure in the Canadian marketplace in energy and other resources through long-short equity hedge funds.

The opportunity is here and we should grab it.

The appreciation of the meeting was expressed by Margaret M. Samuel, CFA, Chief Investment Officer and Portfolio Manager, Quadrexx Asset Management Inc., and Director, The Empire Club of Canada.

Richard W. Nesbitt, CEO, TSX Group, and Donald K. Johnson, CM, Senior Advisor, BMO Capital Markets.



January 11, 2006

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Rt. Hon. Paul Martin

Prime Minister of Canada

THE DIRECTION I WANT CANADA TO TAKE

Chairman: **Rod Phillips**
President, The Canadian Club of Toronto

Head Table Guests

Noella Milne, President-Elect, The Canadian Club of Toronto, and Partner, Bordner Ladner Gervais LLP; John Duffy, Director, The Canadian Club of Toronto, and Principal, StrategyCorp Inc.; William G. Whittaker, President, The Empire Club of Canada, and Partner, Lette Whittaker LLP; and John A. Campion, Past President, The Empire Club of Canada, and Partner, Fasken Martineau Dumoulin LLP.

Introduction by Rod Phillips

Paul Martin

Thank you very much. It is actually better I think if you applaud after I've spoken.

First of all, Rod, thank you very, very much for that introduction. It would be good if you would come around with me for about the next week and a half and do that again.

Let me simply say, first of all, that I see a number of members of Parliament, ministers and candidates and I'm delighted to see you all here. I think I'd be happier if you were out knocking on doors, but I promise I will be as brief as I possibly can so you can get right back to the job at hand.

I certainly want to thank the members of the Canadian Club and the members of the Empire Club for giving me this opportunity of speaking to you in the context of your leaders' lunches. The Empire Club and the Canadian Club throughout the history of our country have certainly given people the opportunity to speak their minds and talk about the direction of our country. And that's what I would like to do today.

As some of you know and as Rod has just said, I have just come from Montreal where I have spent the last couple of nights debating the issues with a moderator, the other three leaders and a few million Canadians at an informal off-the-record discussion. And as Rod said, I very much believe that in the end this election campaign is going to come down as predicted to a very clear difference of values; a very clear difference of values essentially between Stephen Harper's goal of a "fend-for-yourself Canada" and my vision of a country in which we strive together to a common good. This election fundamentally will be about choosing Canada.

Canadians are proud of the fact that together as a nation we have overcome challenges that have paralyzed other countries. We no longer borrow to pay our bills, we invest to protect our social programs, and we have built a society in which newcomers feel welcome. And I would simply ask you to look around the world and then I'm sure you will begin to understand what an achievement we have accomplished. It is something to be proud of.

I have differences with Mr. Harper about the future of our country and those differences are sharp and they are deep. I see Canada as a success, an overwhelming success, but Mr. Harper speaks to what he views as its failings. I see a Canada that I'm proud of, a nation that I believe to be a model to the world, but Mr. Harper speaks of our country only in ways in which it comes up short in his eyes.

Today, as a party, we are advancing our positive vision of Canada. We are releasing our party's platform—the Liberal plan to support Canadian families—and we are doing so with a full costing of what we have said we will do and what we intend to do. That plan illustrates, I believe, just how different our perspective of Canada is and the role the government must play in the direction that our nation must take. Let me outline five of the major points of our platform to support today's families.

First—tax cuts. We are cutting personal income taxes for low-income and middle-class Canadians. Many of these cuts are already in place. Now Mr. Harper would raise personal taxes on low-income and middle-income Canadians. As astounding as that may seem and it is very hard for me to believe it, Stephen Harper and the Conservative Party are going to raise personal income taxes. Well let me tell you we will ensure that working families keep more money in their pockets. We will not raise taxes. We are going to cut taxes.

Second—safer Canadian communities. Canadian families deserve safe streets. Toronto is not Detroit and that means tougher sentences, it means more police, it means action to halt smuggling. The fact is of course all of the party leaders agree on that. But Mr. Harper and I have two disagreements. I want to get equally tough on the root causes of crime—exclusion, hopelessness—that Mr. Harper dismisses as a social theory. And secondly, I want to oppose Mr. Harper's concept, that what he will do is to talk about gun crimes in every way, shape or form except to ban handguns. I will ban handguns. I will ban them to make our communities safer. There are at least 500,000 handguns out there in private homes—weapons that are one break-in away from falling into the hands of the wrong people. I refuse to accept Stephen Harper's plan to deal with the issue of gun crime without dealing with the issue of handguns. I want those guns out of homes. The Mayor of Toronto agrees and the Premier of Ontario agrees that a handgun ban is essential to making our cities and our communities safer and we will bring a handgun ban in.

Third—better health care. Dr. Bennett who is here is working with the provinces. We have made tangible progress in reducing wait times and further progress is on the way. For the first time in our country we have national benchmarks against which provincial targets can be measured. We are already beginning to see substantial drops right across the country. We have also set out a plan to increase by 1,000 the number of family doctors working in Canada and we set out a very comprehensive plan to make it possible for those doctors who are trained abroad to basically prove their credentials and establish residencies here so that families can get the care where they need and when they need it. And our government will build on that by supporting families with a real health-care guarantee, one that will ensure timely care and pay the cost for you and a loved one, if you have to be sent elsewhere in Canada to receive prompt treatment. But let us be very clear, the fundamental plan is that people should get their care close to where they live and that's what we are going to work on with the provinces.

In a similar vein, the Liberal government will create a new family-leave program, giving Canadians the opportunity to take up to two months off work to care for a loved one who is seriously ill; two months in which their job will be protected and benefits will be paid through the employment insurance fund; two months that can make all the difference in a person's life. I think we understand the importance of this especially as our population ages and we see the importance of what happens when a family member takes time off work or takes time off from what they are doing to care for a loved one and how important that is and how we have really got to recognize this sacrifice. If we are going to build the kind of society that we want to build, we have to recognize how important it is to recognize what unpaid caregivers do.

And fourth—reducing the barriers to education. We are going to support families with what we have called our fifty-fifty plan to help overcome the barriers to getting a diploma or degree. Under the plan, the government will pay half of the first year's tuition and half the final year's tuition for all students attending a Canadian college or university to a maximum of $3,000. And we are going to do more than that by providing students from low-income families with up to $3,000 per year for all four years. And the reason for this is very simple. We are a nation rich in natural resources, but our greatest natural resources are the minds and skills of the young who walk upon that ground. That students should graduate from universities or colleges heavily in debt or that students shouldn't go on for a higher education because of the cost of incurring that kind of debt is simply incompatible with our capacity to compete with the newly rising Chinas and Indias of this world. So we are going to make it possible for every single student who wants to acquire a skill or an education to get it.

And then fifth—we are supporting Canadian families by building this generation's legacy to the next—a national program of early learning and childcare so that Canadian children regardless of their family income can enter school ready to learn and leave school ready to succeed. We have signed agreements with all 10 provinces, we've committed funding for over a decade and we are creating childcare spaces right across the country. Now what would Mr. Harper do? Well let me tell you what was among his first campaign commitments. He said he would pull the plug on all of that, that he would renege. He said that he would terminate our agreements with all of the provinces and that he would deny Canadians the first new social program in a generation. Now what would he offer instead? Well $25 a week per family per child and then he said he would tax it. Now just think about this. There has been an independent study. The families with an income of between $30,000 and $40,000 won't get the $1,200 that Mr. Harper talks about; not even close. After taxes they'll get $388 a year. That's a little better than a dollar a day. That's Mr. Harper's plan for childcare. Well here's what I believe. I believe that in the real world you can't cut a check for a dollar a day and call it a childcare strategy. I ask you to think about it and I've said this elsewhere—the best way that I can explain the difference between what he is talking about and what we are talking about. Decades ago, if Tommy Douglas, my father and Lester Pearson had been sitting around and one of them had said, "Let's talk about our health-care system. Let's talk about a medicare plan." And then after a bit of discussion another had said, "Let's forget about it. Let's just give everybody a dollar a day." And then another had said, "Well that won't help people much if people get sick but we can call it a strategy. We will dress it up and call it a solution or better yet let's call it medicare." If you want a fundamental difference between Stephen Harper and myself this is it. I believe in childcare. He believes in slogans.

So what does all this come to? Well I'll tell you. I believe that our social programs, the things that we do to help each other out, the things that we do to help each other up are a window in the kind of country we are and they are also a window in the kind of country that we want to be. I believe that we give ourselves the best chance to succeed as a nation when we rally behind the conviction that we will leave no one behind and that a crucial part of achieving that goal of fairness and greater equity in our society is making sure that we can afford to do what we say we are going to do, that we keep our promises and we achieve them without borrowing to pay our bills. Think about it. For three decades our budget was chronically in deficit. We solved the problem. Eight straight balanced budgets in a row. A public pension plan was at risk. We solved the problem and now it will be there for generations to come. Let me tell you there are very few industrial countries who today can say that.

The other day Sheila and I were at the G-8 meeting. We were at Gleneagles and after the bombings when Tony Blair had to go into town we were all just sitting around talking. I was with the other G-8 leaders and we got talking about rising national debt. Everybody was saying that their national debt was going up and I didn't say anything until finally at the end of it all one of them turned to me and said, "Paul, how much is your national debt going up?" Somewhat shamefacedly, I had to say it was not actually going up. It was going down. That is a tremendous achievement, not just of government but of the Canadian people.

The same thing applies to our unemployment rate. Our unemployment rate is now at the lowest level that it has been since we started modern statistics in the early seventies.

These are the benefits of responsible economic management and I'm telling you we are going to stay the course. That's why it is so important that today in the middle of this election campaign we have set out the full costing of what it is we intend to do in our next mandate. Our platform is fully costed. We will maintain our contingency reserve and we will deliver a ninth and a tenth and an eleventh balanced budget. We will continue to cut taxes and we will continue to support Canadian families and we will continue to pay down debt pursuing a fair and a balanced approach. We are now in a position where we can do that as long as we understand just how important it is to being prudent in our projections and basically understand the limitations of what happens in a society with rising economies when the unexpected can happen.

Why must we do this? That is how best to pursue our prosperity. I'm saying that Stephen Harper, certainly based on what I have seen so far, will put that prosperity at risk. It is already becoming more than clear that he will be unable to deliver on his platform without making cuts to programs and without increasing taxes.

For instance, on Monday night in front of millions of Canadians, he promised to tackle head-on the so-called fiscal imbalance. That's a demand by the provinces for additional funding in the range of $12 billion to $40 billion over the next five years. Mr. Harper has said he's going to give this money somewhere in that range to the provinces but he won't say how. He won't say where he's going to come up with the tens of billions of dollars in extra money. So what Canadians have to ask themselves is what more would he cut? How high will he have to take taxes? In terms of cutting he's already said, as I mentioned, that he will eliminate the national childcare program. Would he renege on our commitment to help cover the cost of tuition for post-secondary students? Will he renege on the labour market agreements for training that we were in the process of signing with the provinces, one which has already been signed here in Ontario? Will he renege on our new deal for cities and communities depriving our municipalities of the funding they need to make great places to live and to raise a family? Would we stare into the face of Aboriginal poverty and do, as his finance critic has said that he should do, and renege on the agreement that we have signed with the Aboriginal leadership in this country and with all of the provinces and territories to help Aboriginal Canadians seize their potential? What more would he cut? We don't know because he won't say and he should.

It matters whom Canadians choose to be their prime minister and what that person believes. Mr. Harper has made a promise a day in his campaign. A promise to remake Canada to what he wants it to be. He seeks to move us in a different direction towards a very different society. Stephen Harper, as I mentioned, would terminate the childcare program, he would renege on our Kyoto commitments to fight climate change and protect the environment, he would raise personal income taxes on low- and middle-income Canadians and he would do more, perhaps more than people realize.

You may have heard about one of the issues that I raised during the debates. I want to take a moment to talk about my plan to take away the ability of the federal government to use the notwithstanding clause and to tell you what it means and explain why I see it as such a fundamentally and deeply important difference between the Canada that I believe in and the country that Stephen Harper would seek to create.

Canada is a nation of minorities. We are all minorities and as such we place tremendous value on the protection of minority rights and by that I am talking about women's rights, I'm talking about religious freedoms, I'm talking about all rights. And that is why almost 25 years ago we enshrined the Charter of Rights and Freedoms. It is the heartbeat of our Constitution, it guarantees the rights of all Canadians, but there is a gap, there is a loophole, and that's the notwithstanding clause—the notwithstanding clause which gives politicians the ability to take away rights that have been confirmed by the Supreme Court of Canada and I think that is dangerous. I don't believe that the majority should be able to impose its whim on the minority. I don't believe that a political party or a prime minister should be able to pick and choose which rights Canadians will keep and which will be taken away. I believe that this principle will be increasingly important as Canada grows, as our identity becomes richer and richer and as we become even more part of the wider world outside our borders. And that's why I have pledged that the first act of a new Liberal administration would be to amend the Constitution to ensure that the federal government is not able to use the notwithstanding clause.

Now when I challenged Mr. Harper to join me in supporting this move he refused. He's happy to keep the hammer right where it is in the hands of politicians; a hammer that can be used to pound away at the charter and claw back any one of a number of individual rights, which raises the question why.

It is certainly not because he is shy about changing the Constitution. During the debates Mr. Harper talked about amending the Constitution to include property rights, which is a separate debate and one that we have got to have. So why, if Mr. Harper doesn't intend to use the notwithstanding clause, will he not agree to its removal? Why won't Mr. Harper stand up for a stronger Charter of Rights and Freedoms? Why won't he stand up for protecting all rights all the time?

I believe that the answer has become obvious. Members of Mr. Harper's party have promised right-wing conservative groups that if they are elected they will ensure parliamentary votes on a woman's right to choose, on same sex marriage and on other social issues and that these votes will not matter. Mr. Harper wants to retain the power to override the charter. That is the hammer he wants to keep and so he's going to hang on to it. So think about it. He is willing to guarantee property rights but he will not guarantee a woman's right to choose. Mr. Harper himself has said that our charter of rights has serious flaws. His justice critic called the notwithstanding clause the ultimate tool saying that it could be used to overrule what he describes as "our radical Liberal judges."

Mr. Harper has described Canada as "second-rate." He has said, "A country like Canada will never have a strong an identity as the United States." He spoke to the U.S. conservative movement and he referred to the movement "as a light and an inspiration to the people of Canada." Mr.

Harper has said that once he's done changing Canada we won't recognize it. And you know what? He means it.

Mr. Harper and I see Canada very differently in terms of supporting families, in terms of the role of government, in terms of the role of Canada in the world and in terms of rights. And as prime minister my pledge to you is that I will defend the Canada we have built together. I will defend its hard-won prosperity by staying out of deficit. I will defend its place in the world by speaking with an independent voice. I will defend its unity by standing against the separatists and I will defend its belief in fairness by protecting our social programs and I will defend the Canadian Charter of Rights and Freedoms.

Let me begin to close now because I want to get all these candidates back out there knocking on doors. Let me just say that together over the years we have made Canada strong, a nation to be proud of, a nation that I certainly believe is a model to the world. Together in the years to come I believe that we can make Canada even stronger, an even more important model so that when other countries look at standards by which to judge themselves they will look to Canada.

Now of course there are challenges that confront us as a nation and there will be more challenges but when haven't there been challenges and when haven't we as a people overcome them? That is the story of Canada and that is what we can achieve by working together not in isolated silos across the land. That's what we can achieve with national leadership and a prime minister who believes in the good that the federal government can do and who believes in working with other governments so that together our values, our ambitions and the hopes and dreams of our children come true. I believe that our country is worth celebrating, not just the Canada of some distant future but the Canada of today. It is worth celebrating, it is worth protecting and it is worth building on because there is such potential in our nation and such promise in the years ahead. Together we will fulfill that potential and together we will achieve that promise.

Thank you very much.

The appreciation of the meeting was expressed by William G. Whittaker, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.

Members and guests of the Canadian Club of Toronto and the Empire Club of Canada, I have the honour to express your formal thanks to our Prime Minister.

During an election campaign, Canadians focus on the present and future with history taking a backseat. However, history matters to our two clubs, particularly the history and personal accomplishments of our speakers.

Prime Minister, you inherited your social conscience from your father, the Honourable Paul Martin senior, who was one of the architects of Canada's postwar social policy.

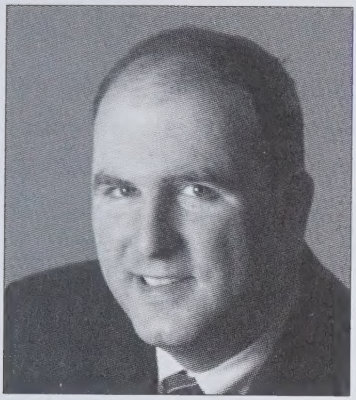
Born and educated in Ontario, your accomplished business career was spent in Quebec. You are one of those rare people in our country, certainly in English Canada, who has successfully bridged the two solitudes.

Prime Minister, your private-sector experience gave you the perspective and skills to make the difficult decisions as our Finance Minister 10 years ago to put Canada's fiscal house in order and Canada's economy on the road to prosperity.

A considerable personal accomplishment of Mrs. Martin's and yours are your three sons, Paul, Jamie and David, who are moving into successful business careers.

We are now into the sound and fury of the last 10 days of the election campaign. As in 2004, the next government will be determined during this period. We all remember your highly energized tour during the latter part of the 2004 campaign, which resulted in your come-from-behind victory.

Prime Minister, we wish you well for the remainder of the campaign and the future and thank you for your remarks today.



January 12, 2006

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Jim Harris

Leader, Green Party of Canada

DEFENDING OUR CANADA

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

William D. Laidlaw, Executive Director, Ontario Community Newspapers Association, and Past President, The Empire Club of Canada; Pastor Bruce Smith, King-Bay Chaplaincy; Irvin Choo, Grade 12 Student, North Toronto Collegiate Institute; Kevin Farmer, Candidate—St. Paul's, Green Party of Canada; Jo Coombe, Vice-President Marketing, Bullfrog Power Inc.; Rob Newman, Deputy Leader, Green Party of Ontario; Stephen Hewitt, Manager, NATIONAL Public Relations, and Director, The Empire Club of Canada; Otto Casanova, Candidate—Mississauga-Streetsville, Green Party of Canada; David Hatherton, CEO, Next Energy Inc.; Grace Yogaretnam, Candidate—Mississauga-Brampton South, Green Party of Canada; and Verity Dimock, Executive Director, The Canadian Club of Toronto.

Introduction by William Whittaker

In September, 1989, Gro Harlem Brundtland, former Norwegian Prime Minister and Chair of the World Commission on Environment and Development which established the concept of sustainable development, had this to say about environmentalists and politics:

"I do not know of any environmental group in any country that does not view its government as an adversary."

The Bruntland Commission provided the momentum for the 1992 Earth Summit in Rio de Janiero chaired by Canada's Maurice Strong. Dr. Strong in his April 2001 address to the Empire Club stated the following:

"Why does the environment matter? Why should we allow protection and improvement of the environment to stand in the way of economic growth and complicate management of our businesses? Despite the tendencies of some to consider the environment as a marginal issue, which we can relegate to secondary priority until we have achieved our economic goals, the environment is indeed central to those goals. It is inextricably linked to them and to the means by which we seek to achieve them."

It is statements such as Drs. Bruntland's and Strong's that provide the rationalization for the politicization of the environmental movement in Canada and elsewhere.

The Green Party of Canada was founded in 1983, born from a conference held at Carleton University in Ottawa. Since its inception, the Green Party has been developing as an organization, expanding its membership and improving its showing at the polls. In the 2004 election, the Green Party received 4.3 per cent of the popular vote with candidates in all 308 ridings.

Presently, there are over 100 Green parties worldwide and there are Green members elected in many countries. Green parties have served in coalition governments in some European countries.

The Green Party of Canada is independent of other green parties, but is philosophically aligned with them. Its basic premise is that all life on the planet is interconnected and that we have a responsibility to protect and preserve the natural world by supporting green economics, progressive social planning and responsible and accountable governance.

Born and raised in Toronto, Mr. Harris was educated at Lakefield College and Queen's University. He is a financial journalist and author having written such business books as "The Learning Paradox; Blindsided" and the well known "The Hundred Best Companies to Work for in Canada."

Mr. Harris is a committed environmentalist who has been an active member of the Green Party for over 17 years, running as a candidate at all three levels of government promoting environmental awareness. He was elected leader of the Green Party in 2003.

Ladies and gentlemen, please join me in welcoming James Harris, the Leader of the Green Party of Canada, to our podium today.

Jim Harris

Speaking to the esteemed Empire Club and Canadian Club is a rite of political passage. There is a long tradition of critical announcements that shape Canadian policy, shape Canada and shape our future.

The Green Party is working to help shape a sustainable future. We are working to defend our Canada.

The front page of yesterday's Globe and Mail had the Green Party at 6 per cent. While some people may not think that 6 per cent is a big number, the NDP with 6.9 per cent of the vote in 1993 won nine seats. We are on track in this election to elect our first Green MP and change Canadian politics forever.

But the 6 per cent of Canadians, the 800,000 Canadians who have already decided to vote for the Green Party, is just the tip of the iceberg. Because in no election in Canada's history have we been so disillusioned and disenchanted with all the old-line traditional parties. Research from Decima this past summer showed that 34 per cent of all Canadians are now considering voting for the Green Party in addition to those who have already made up their minds. And when you do the math that means another 4.6 million voters are currently thinking about voting Green on January 23.

Today when talking about defending Canada, we want to talk about health. The Green Party is all about promoting health: healthy people, healthy communities, a healthy economy, in a healthy democracy, in a healthy Canada, on a healthy planet. Health is central to our message. And to put it bluntly, we can't have healthy people on a sick planet.

We are so blessed here in Canada. We live in what I think is the greatest country in the world. We have such beauty, such magnificence in this land, and something we take for granted—fresh water, the essence of all life on earth. If you were to take all of the world's water and it were to be represented in a single gallon jug, all the fresh water in the world would be the last drop in that gallon. We here in Canada have more fresh water than any other country in the world! And what do we choose to do with this precious resource, this basis of all life? In Toronto we dump our sewage into it. We consider that this is an 18th-century practice, and we are now in a 21st-century reality.

The Green Party is talking about healthy communities, about healthy ecosystems and we are going to have to have some profound changes in the way our society works. In this campaign I'm so proud to say that the Green Party is the first party ever to call for enshrining in the Charter of Rights and Freedoms the right of every Canadian to have access to clean air, to clean water, to uncontaminated soil. So that when our government either through lack of legislation or lack of enforcing existing legislation fails to live up to its responsibility, average Canadians can use the courts to force governments to act responsibly.

Defending Against Childhood Asthma

I look at the fact that today, it makes me want to cry, one in every five children has childhood asthma, when 30 years ago it was less than one in 50. One in every five children has childhood asthma. Why are we using our own children as the canaries in the coalmine to tell us that we must change? Are we going to wait until one in every four children has asthma before the old-line parties will act? Are we going to wait until one in every three children has problems breathing? When every other child has asthma, will we then act? Or will we wait until every child has asthma?

The Green Party is the only party in this election that is talking about this issue and by the five network executives making the decision to exclude our voice from the televised leaders' debate they were in fact acting as censors, guaranteeing that this issue would not be raised during this election because all the old-line parties are complicit. They have all been in power while we have seen asthma rates rise from one in 50 to one in five. The NDP has been in power in four provinces, the Conservatives and Liberals federally and provincially, and the Pequistes and Bloqistes in Quebec and Ottawa. Only the Green Party is talking about this issue.

Why does one in every five children have childhood asthma? It's simple. Because every year 4.3 billion, yes billion, kilograms of respiratory toxins are injected into our air! And the Green Party is the only party saying enough is enough. It's time to clear the air.

We here in Toronto have experienced more smog days in the last year than any other year on record. And the Ontario Medical Association came out in 2005 and said that 5,800 people will die a year prematurely in Ontario because of smog-related illness. It's going to cause 17,000 emergency-room visits annually in what are already overcrowded ERs. And it's going to cost Ontario taxpayers $7.8 billion a year for respiratory illness.

If this were anything else it would be a crisis of national proportions but because the denigration of our air is slow and relentless as opposed to catching newspaper headlines, it goes ignored. I have a friend who has a mechanic and he has a strange saying. He says, "You can pay me now or you can pay me later." Meaning you can choose to service your car preventatively and maintain it and change the oil every 8,000 kilometres, or you cannot change the oil for 50,000 kilometres and have the engine seize up. You can pay me now, or you can pay me later. We don't have a choice as to whether we're going to pay the cost of this environmental damage. The only choice we have is whether we are going to pay it now in which case the price will be far smaller—or are we going to pay it down the road when the price is far larger?

The Green Party is calling out and I'm happy to say that our voices are being joined by people all around the world and from quarters that you would not expect. Swiss Re, the second-largest re-insurance firm globally, has been saying that payouts due to catastrophic weather events have been doubling every decade. And this isn't a group of environmentalists—this is hard-core business people, the insurance company that insures insurance companies—saying the dominant, the pre-eminent challenge for business in the 21st century is going to be addressing global climate change.

This should be front and centre in this debate, in this election, but we are not hearing the old-line parties talk about it. In fact, Mr. Harper says he would rip up Kyoto. Mr. Martin says he supports Kyoto, and, I ask you, which is actually worse? With the Conservatives, with Mr. Harper, with Mr. Bush, at least you know where you stand. But with Mr. Martin, who says he supports Kyoto, I am deeply worried because it lulls Canadians into a false sense of security that the government is aware we have a very serious problem and is acting. But when you look at the record, carbon dioxide emissions under the Liberals for 12 years have gone up by more than 24 per cent, not fallen by 6 per cent.

And so there has been a lot of talk in this election about accountability. But we talk about a different kind of accountability. Who is accountable to future generations? Who is accountable to the one in five children who can't breathe properly? Who is acting responsibly? And the answer is: none of the old-line traditional parties.

And so we have to decide, are we going to make the break now or later with the old-line parties? There is no more right-left dimension for the Green Party. We are neither right, we are neither left. We are out in front. The only dimension that is important for us is that we preserve the future. The Green Party will not mortgage our children's legacy. This is the only dimension that matters in politics anymore.

Some people say that the Green Party might only be concerned about environmental issues, so let's look at this issue of childhood asthma. Is it a human rights issue? Is it a health-care issue? Is it an economic issue, because of the almost $8 billion it will cost Ontario taxpayers every year? Is it a pollution issue? Is it an issue of electricity planning, because we burn coal to create electricity because we're the most energy-inefficient country globally? We consume more energy per person that any other people on the planet. Is it a matter of bad electricity planning? Is it a transportation issue because smog is caused by idling cars and coal-fire generation? Is it a transportation planning issue? Is it an issue of political will? Or is it an environmental issue? Or is it a charter of rights issue? The answer is "yes" to all of the above.

The Green Party is the only party that integrates all of these issues. The Green Party is fiscally responsible, socially progressive, and committed to environmental sustainability. We look at all public policies through what we call this triple bottom lens. And I'll give you one example: In the past year, the federal Liberal government has subsidized oil and gas companies to the tune of $1.4 billion of our hard-earned taxpayers' money. And that is at a time that these companies are making the highest profit in their existence. So we don't consider it a fiscally responsible use of precious taxpayers' dollars to subsidize the most profitable companies in Canada.

At the same time, because we believe in balanced budgets, every dollar we spend in one area is a dollar we can't spend in another and so this $1.4 billion steals money from social priorities like education, health care, addressing childhood poverty. It is absolutely alarming that 1.2 million children today in a country as rich as ours live in poverty. That four million Canadians don't know that they'll be able to eat at the end of the month because they won't be able to make ends meet.

The oil and gas companies are not poor. They should not be receiving a single penny of taxpayers' subsidies and this is how, in fact, we can say that the Green Party is more fiscally responsible than the Conservative party who would continue those subsidies, because, of course, its core of support is Albertan-based oil companies.

You might think that it's paradoxical that our second-highest support is in Alberta. But in oil towns we've had some of our best results in Alberta, because oil and gas workers know that the oil and gas industry has to change. They see the waste; they see the need for efficiency; and they are concerned about their children's future. And so paradoxically, some of the highest support for the Green Party in Alberta is in the oil patch. People are coming over and standing up, standing up for the future of their children. Note that British Petroleum has renamed itself in its advertising—beyond petroleum. And the chairman proudly admits that £150 million a year has been saved by BP in meeting its Kyoto targets eight years in advance and when you do the math, that's almost Cdn$2 billion.

I've found in my work in dealing with CEOs that whenever you ask, "Are you interested in a strategy that could drop $2 billion directly to the bottom line?" they always answer, "Yes." And so what is good for our environment is in fact the best thing possible for business. And there are huge business opportunities, but we need to defend Canada's economy.

We are so excited, for instance, that Denmark began a strategic focus on wind power 20 years ago. And in the intervening 20 years they've created 20,000 jobs. We call these jobs green-collar jobs. You've heard of white collar, you've heard of blue collar. Well, green-collar jobs are sustainable economically and they're sustainable ecologically. If you look at wind power over the last decade it has been growing by 32 per cent a year, compounded annually. Show me any other industry with those kinds of growth figures. Staggering.

You know that famous political commentator, Wayne Gretzky, used to always say, "I never go where the puck is, I go to where it's going to be." And that seems to be the question for us in the Green Party. We all know where the puck is. Just look at the government subsidies to oil and gas. But in the future is wind going to play a bigger role globally in electricity provisioning?

We were so exited when Jean Charest in Quebec announced a $1.9-billion wind-power program, the largest in fact in Canada's and the world's history. But the excitement wore off when we realized that 70 cents of every dollar is leaving Canada to American, to German, to Danish firms. Why? Because we haven't developed a robust-enough wind turbine industry in Canada right here, right now, to create green-collar jobs to be able to service the largest single wind contract in the world's history!

So are we going where the puck is, or where it's been?

Defending Canada for us would mean stopping the subsidies of $100 million to Ford, and $200 million to GM, the two car companies with the highest carbon dioxide emissions in the world. And Mr. Harper in the debates several nights ago said that he would give further tax breaks to those companies. But do you know that even a third of a billion dollars of our hard-earned taxpayers' money didn't protect a single job when GM announced 30,000 layoffs in November 2005? And just wait. In the next two weeks I expect Ford to announce 20,000 layoffs from its operations.

When GM rationalized its operations it did not cut a single job from its plants producing gas-guzzling SUVs or trucks. In other words they'll take a third of a billion dollars of Canadian taxpayers' money and bet it all on a gas-guzzling strategy.

Now, how is the Green Party different from every old-line party? The NDP, for instance, supported these massive subsidies. Why? Because of CAW jobs. Actually I think the worst day of the campaign for Mr. Layton was when Buzz Hargrove hugged Mr. Martin. Wow. We haven't had a day that bad in this campaign.

But, you know, we would not be pursuing that strategy. We would not be giving one cent of taxpayers' money as subsidies to Ford and GM, who have bet on this gas-guzzling strategy. We ask: "Why is there not a single hybrid carmaker in Canada right now producing hybrids right here, right now?" Here's where the intersection of business interests and health issues and our environment all come together.

We have 25,000 taxis on Canadian roads. Each taxi drives 10 times the distance of a normal vehicle per year. If each one of those taxis was a hybrid, we would not only be reducing by 350 million litres every single year the amount of gasoline, taxi cab drivers would be putting in their pockets between $1,200 and $1,500 every month. So that conversion would cost nothing. In fact you could get a brand new hybrid for free on lease payments and pocket the difference.

Why are we not moving down this path? Remember that taxis are on all day so that they are idling, producing smog in our cities for our children to breathe to get childhood asthma and imposing $8 billion of health-care costs on Ontario taxpayers. So the taxicab industry if all 25,000 were hybrids would save $5 billion over a decade. Now we've been told that Kyoto would cost Canada $10 billion. Nothing could be further from the truth. Here is one tiny, tiny little industry that all on its own would save $5 billion over a decade and reduce health-care costs and address the issue of childhood asthma.

The Green Party is presenting practical, proven solutions that make economic sense as well as environmental sense. You know that the most important issue for Canadians is our health-care system. And I'm proud to say that the Green Party is the only party talking about health, not just health care. In the last election and we'll see in this election, the old-line parties will be arguing over how much more they'll spend on our health-care system. And not to say that's a bad thing. We agree with that. That's a good thing. As Martha Stewart says, "That's a good thing."

Defending Health Not Just Health Care

The Green Party is the only party talking about health, not just health care.

My father died of cancer. My mother-in-law is fighting her second cancer. In fact we all know someone who is currently fighting cancer, a friend who has died of cancer, or someone who thankfully has survived cancer. But the bad news is that cancers are predicted to double in Canada over the next 30 years according to cancer societies. Six million Canadians are going to get cancer and three million of us will die of it.

The Green Party is the only party saying: "Hey, we know what is causing cancer." Fifty per cent of cancers are preventable according to cancer societies and Harvard studies. Wouldn't it be a better idea to stop Canadians getting cancer in the first place rather than just arguing over how much more money to spend to treat it once we have it? Wouldn't that be a better course of action?

And it's not just cancer. Seventy per cent of strokes are preventable. Eighty per cent of diabetes. Eighty per cent of heart disease. When you actually do the math, if we don't aggressively focus on prevention, we are not going to be able to spend our way out of the health-care crisis that we face. And yet, the Green Party is the only party talking about health, not just health care.

I'm proud to say, as I've campaigned and canvassed all across Canada, we take unique positions throughout the country. I was just in Alberta, where they have outsourced or privatized their health-care system. And the net result is that only seven of the 23 long-term care facilities for seniors meet standards set by the province. Less than one-third. So the quality of care of our seniors is in serious threat in Alberta, because of privatization of our health care.

I'm proud to say that the Green Party unequivocally stands for a one-tier system accessible to all Canadians, and the only way we will fix the system is through prevention.

Defending Our Democracy

We have a democratic deficit of immense proportions.

Imagine five parties running in every province in Canada and all five parties getting exactly the same vote—20 per cent. But one party gets one more vote in all 308 ridings. That one party would have 100 per cent of the seats in Parliament with 20 per cent of the popular vote. Would you call that fair? Let's look at the other four parties, which collectively got 80 per cent of the vote and didn't win a single seat. Would you call that fair?

We are working with an 18th-century electoral system and we are now in a 21st-century reality.

We need to defend our democracy. We had the lowest voter turnout in the history of Canada in the last election. Almost 40 per cent of Canadians didn't vote—and when you ask them why, it's because they didn't see their values and ethics reflected in any of the old-line political parties.

We will fight for proportional representation—an electoral system that makes everyone's vote count equally. Proportional representation would go a long way to encouraging voter participation and restoring people's faith in that their voice is truly being heard.

Defending Our Reputation Internationally

Canadians are proud of the reputation that we have worldwide as peace-loving people and a peacekeeping nation. The Green Party would focus the military's role exclusively on peacekeeping internationally. We unequivocally opposed the war in Iraq and we unequivocally opposed the antiballistic missile defence system that Mr. Bush wanted us to join. Had Mr. Harper been in power we would have joined both.

Defending Against Climate Change

Global climate change is the most important change that the world faces today. This is not environmentalists who are saying this but business leaders. Swiss Re is the second-largest insurance company worldwide. As an insurance company that insures insurance companies, it knows firsthand the effects of climate change. We have seen more severe hurricanes this past year, and of greater intensity than in any other recorded year. Swiss Re has documented how the payouts for catastrophic weather events have been doubling every decade.

In the first oil crisis in the early 1970s, Japan, which is 100-per-cent dependent on foreign oil imports, realized the vulnerability of its economy when the price of oil quadrupled in just 18 months. So Japan embarked on the most aggressive energy conservation program in the country's and the world's history. And the net effect? Japan increased its energy efficiency in its heavy industries—petrochemical, cement—dramatically. The steel industry for instance, increased its efficiency by 50 per cent in following years. And the effect? Japan's steel industry was 41 per cent more energy efficient than U.S. steelmakers. The impact? Two hundred and thirty thousand U.S. steelmakers lost their work. So was energy efficiency a threat or a huge competitive advantage?

Defending Our Economy

Canada's economy is the most energy inefficient in the world. It means that our economy is most vulnerable to the inevitable oil shock. We think that it was excessive when oil broke US$70 a barrel in 2005, but when you look back to the early 1980s and adjust for inflation, oil was well over $100 a barrel. So what are the old-line parties doing to defend our economy against the inevitable oil shock?

Defending Our Planet

It is with tremendous sadness that I note the work of Dr. Ransom Myers who has released a study identifying how the populations of large fish in the world's oceans has plummeted by 90 per cent from the levels in 1950. Ninety-per-cent fewer whales, 90-per-cent fewer sharks, marlin, tuna. Ninety-per-cent fewer cod and flounder. Don't we know this all too well on the East Coast of Canada? Whatever we do to the planet we do to ourselves. If we attack the earth economy we destroy the human economy. We cannot truly have a strong economy, without a strong ecology.

Conclusion

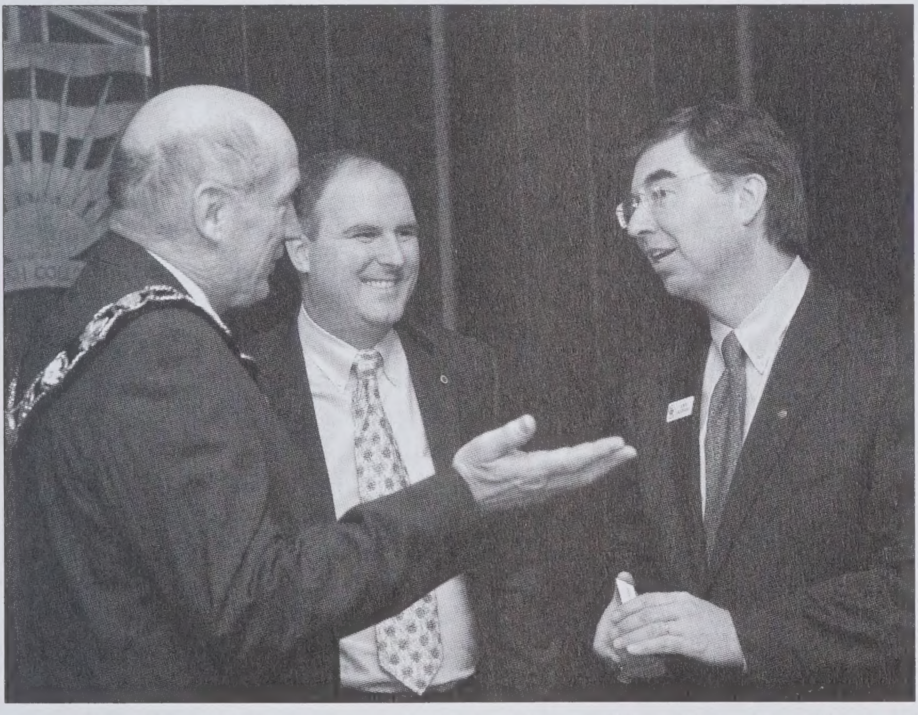
The issues we are talking about are concerns of every Canadian. In fact when you ask Canadians, over 80 per cent of us believe that our grandchildren will inherit a world that is significantly degraded. To the Green Party that is just not acceptable. We have to defend our future. There is, in my opinion, no higher calling.

As Canadians we don't wear our pride on our sleeve. We are quietly proud, reservedly proud. What is it that makes us Canadian? The beauty of our land. Because I am in love with Canada. I would rather live in no other place in the world. And something that we all love so deeply is something that is not only worth defending, but Canada is something that we must defend.

I believe we can. We can have a government that is truly accountable to Canadians, by renewing our democratic institutions. We can have a Canada that protects our air, soil and water while developing a strong, sustainable economy. We can move beyond our basic Kyoto commitments to make Canada a world leader in combating climate. We can have a Canada that works for all communities, by honouring Aboriginal rights, Québec's rightful place in our federation, and the promise that new Canadians bring to our communities from coast to coast to coast.

We can defend and promote a Canada that is inclusive, progressive, fiscally prudent, and passionately, firmly focused on the future of the planet. We value diversity, tolerance and compassion and try to ensure no one is left behind. We want to defend Canada. And so in this election the greatest action you can take to defend the Canada we love is by voting Green. Thank you very much.

The appreciation of the meeting was expressed by Verity Dimock, Executive Director, The Canadian Club of Toronto.



William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, Jim Harris, Leader, Green Party of Canada, and John C. Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada.

January 18, 2006

Len Crispino

President and CEO, Ontario Chamber of Commerce

FAIRNESS IN CONFEDERATION

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada; Jenny Zhou, Grade 12 Student, Earl Haig Secondary School; Rev. Dr. John S. Niles, Rector, St. Andrews United Church, Markham, and First Vice-President, The Empire Club of Canada; The Hon. Dr. Marie Bountrogianni, Minister of Intergovernmental Affairs and Minister for Democratic Renewal, Province of Ontario; David L. Lindsay, President, Association of Colleges of Applied Arts and Technology of Ontario, and Director, The Empire Club of Canada; Jo-Ann McArthur, President and CEO, Pigeon Canada Inc., and Director, The Empire Club of Canada; Jim Milway, Executive Director, Institute for Competitiveness and Prosperity; and Tenio Evangelista, Vice-President, Borealis Infrastructure.

Introduction by William Whittaker

This is the second time in the past year and a half that Mr. Crispino as President of the Ontario Chamber of Commerce has graced our podium. While it is rare for our club to have a repeat speaker so quickly, we believe the Ontario Chamber's message regarding the $23-billion fiscal imbalance presently faced by the Province of

Ontario and questioning the efficacy of the federal government's transfer payment program is timely, particularly given the present federal election campaign.

The financial relationship between the federal, provincial and territorial governments of Canada is a serious topic but I want to begin by sharing a joke with you to lighten matters.

Students at the American School of Paris, which draws its student body from many countries, were asked to write an essay about the elephant.

The British student's essay was about "The Elephant and the Monarchy."

The American student wrote about "The Elephant and the Stars and Stripes."

The French student wrote about "The Love Life of the Elephant" and guess what the Canadian student wrote about: "The Elephant—a federal or provincial matter?"

Equalization is one of four federal programs that transfer money to the provinces and territories; two of the others pay for health and social services, and one is just for the territories. The equalization money comes from Ottawa's general revenues and is unconditional, which means provinces can spend it as they please.

In 1982, equalization was added to Canada's Constitution. Section 36(2) of our Constitution Act states: "Parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation."

While the principle of equalization is now part of our Constitution, its terms are subject to negotiation, which has occurred continuously since its inception in 1958. It is important to note that throughout its 48-year history, Ontario has never been a recipient of equalization payments. Simple equity demands that Ontario's concerns respecting the present fiscal imbalance and the impact of the present equalization formula be addressed. Mr. Crispino will today outline the Ontario Chamber's views in this regard.

The Ontario Chamber of Commerce speaks for more than 57,000 businesses across Ontario, businesses that are affiliated through 160 local Chambers of Commerce and Boards of Trade and has been Ontario's business advocate since its founding in 1911. Its advocacy and policy initiatives focus on six key areas important to the economic well-being of Ontario—health, education, energy, finance and taxation, transportation and infrastructure and border issues.

Mr. Crispino has been President of the Ontario Chamber of Commerce since 2002. Between 1990 and 1993, Len Crispino served as the province's chief trade representative to Italy, promoting Ontario's trade and investment interests. For this work, he was awarded the Order of Merit from the Italian government for fostering business ties between Canada and Italy.

From 1993 to 2001, Mr. Crispino served as Assistant Deputy Minister of the Ontario Ministry of Economic Development and Trade and also as President and Chief Executive Officer of Ontario Exports. In May 2005, Mr. Crispino was appointed to the Leadership Council of the Ontario Ministry of Children and Youth Services.

Ladies and gentlemen, please welcome to our podium today, Len Crispino, President and Chief Executive Officer of the Ontario Chamber of Commerce.

Len Crispino

Good afternoon.

Mr. President, head table guests and friends, I am truly pleased to be here today—my second opportunity to address this distinguished club.

I'm here today to talk to you about a recent report published by the Ontario Chamber of Commerce called Fairness in Confederation.

The report outlines the dangers of this $23-billion fiscal gap between what Ontarians pay to the federal government and what they receive back in services. The report concludes with six recommendations to address the imbalance and restore fairness.

I believe that once this election is all wrapped up it will be remembered as a battle of perceptions. Mr. Layton is fighting to be seen as relevant. Mr. Martin is fighting to be seen as honest. Mr. Harper is fighting to be seen as worthy.

The Ontario Chamber has also battled public perceptions through reason and research. As a strictly non-partisan group we've waded into this campaign to fight the inequities—the imbalance—we see in fiscal federalism. And we know that—like in this campaign—there is the risk that unchecked perceptions will shape reality.

So, on the fiscal imbalance issue, we decided to break down those pre-conceived notions, to break through the rhetoric to provide clarity and to show quantified research about the fiscal imbalance between the provinces.

To do that, the Ontario Chamber undertook a two-part study of the issue. The first report was provocative and was intended as a call to action. The second provided a road map—six recommendations.

We began by using that $23-billion figure as a starting point. Our job was to examine that gap:

- How it came to be;
- Why it came to be; and
- The overall results, good and bad of having the strongest provinces subsidize the weakest.

The story of the gap starts with the birth of the equalization program in 1957 but over the years has involved many other activities of the federal government.

The fundamental goal of equalization and by implication other subsidies to regions was to ensure that all provinces could provide "reasonably comparable levels of public services, at reasonably comparable levels of taxation."

Now, there have been various ways of calculating those "levels of taxation" in the last 50 years. Unfortunately, there is no system to measure comparability of provincial programs across Canada so that progress, or the lack of it, could be measured against the government's goals.

So we now have this program that is supposed to allow a child in Chilliwack, B.C., to receive a comparable education to a child in Deer Harbour, Newfoundland, while their parents pay roughly similar amounts of tax.

As a brief aside, Ontario is the only province to never have received equalization payments. It qualified once in the late '70s, early 1980s, but the federal government changed the rules, keeping Ontario artificially in the "have" category.

The unstated, macro goal of the program is to give the "have-not" governments a chance to attract economic growth while keeping taxes competitive.

It sounds so good. It is a truly Canadian solution—based on fairness, equality, the very best of intentions. Unfortunately, it doesn't work.

For 48 years the federal government has administered the largest and most enduring governmental transfer of wealth in the world and yet six provinces have never been in the "have" category.

Quebec, Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island and Manitoba have never been able to use this massive transfer of wealth to spur economic growth, create lasting jobs, or create any kind of competitive advantage.

Worse yet, the problems with the equalization system are only one part of the issue.

Successive federal governments have gone well beyond equalization in trying to channel resources to certain jurisdictions. They've done this by going beyond—well beyond—their constitutional responsibilities. I've taken to call it equalization by stealth.

Various federal governments have developed a favourite hobby—shaping provincial programs by funding them. And that is something that should concern every Canadian.

Employment Insurance is a perfect example. Ontario subsidizes other regions to the tune of several billion through this one program. And to be clear, this transfer has very little to do with protecting people from unemployment. It is a mechanism of stealth equalization. And the impacts are serious for Ontarians.

New Brunswick now has 5.3 hospital beds per capita compared to Ontario's 2.7.

Ontario has only 65 nurses per 10,000 citizens, compared with Newfoundland's 102 per 10,000.

Quebec has 212 doctors per 10,000, while Ontario has doctor shortages, with only 180 MDs per 10,000 people.

We in Ontario have the lowest grant level per student in our colleges and universities.

We are fraying at the edges because across the public sector we are funding key programs at about three-quarters the levels of other provinces.

Remarkably, over the course of the past 48 years, the federal government has never come up with a way to measure that key phrase, "reasonably comparable levels of service."

Without a measurement tool, the government has no idea if its transfer programs are helping those provinces, nor does it understand if the wealth transfers have hurt the contributors. Our report would argue that it has and other commentators agree.

Now, there are those that say Ontario has had years of tax reductions and that those reductions are responsible for lower levels of public service.

That may be true, in part. But there is another factor to consider.

Ontario's tax levels must be competitive with jurisdictions beyond our borders. And this issue has become more pressing since the creation of equalization.

When equalization and other regional subsidies started, our trade patterns in Canada were east-to-west. There was greater justification for the transfer system then, because recipient regions bought a very substantial share of our output.

That pattern changed long ago.

Now we are part of a North American market—and we compete with China and India. We have to consider emerging players like Brazil and Russia. Our key economic drivers come from manufacturing, which is particularly vulnerable to competitive pressures.

Ours is a global environment; our tax rates and policies must reflect that Ontario has less fiscal flexibility. As it stands, our marginal tax rates are already higher than adjacent American jurisdictions.

The Institute for Competitiveness and Prosperity estimates that Ontario ranks 13 out of 16 in terms of competitiveness with its peer group of provinces and states with populations over six million.

Ontario's competitiveness is constantly at risk. In general terms, the tax cuts of the '90s were needed just to keep us in the game.

So, what it comes down to is this gap, this $23 billion and growing deficit combined with a more competitive international market and new trade patterns, has hurt Ontario's ability to compete and to fund the priorities of its taxpayers. And the gap is continuing to grow. In fact according to the current formula the amount Ontario pays each and every year outpaces our economic growth rates.

In 1992, Roch Carrier, noted Canadian author of the "Hockey Sweater" story, made a keen observation about this country of ours. He said, "Canada is a country that is too big for small minds. Canada is a country that is probably too varied for simple minds."

There are no easy solutions.

Evidence shows that current practices and ideas shaping inter-governmental finances are hurting everyone in every region.

During the research phase of our report, a number of interviews were done with past political figures seeking their thoughts on the current situation.

One person summed up the fiscal mess we've got ourselves into quite well. He said, "You cannot strengthen the weak by weakening the strong." And that is exactly what the federal government is doing.

We need to strengthen the weak by building up the strong by allowing us to compete and generate wealth and create jobs and economic growth. Because economic strength is contagious.

So Alberta's economic strength is Canada's economic strength. Ontario's wealth contributes to Canada's wealth. But, by attempting to equalize everything, the federal government is destroying the foundations for Canada's prosperity.

We needed a plan. We needed a course of action. We created a roadmap, if you will, with six realistic, workable solutions for governments that would start us on the road to restoring fairness.

The first recommendation calls for a shift in the way federal-provincial agreements are negotiated. As a starting point, Ontario should not sign any new agreements with the federal government unless they involve equal funding per capita for all provinces; further new systems must be in place to compare programs across provincial boundaries. Equalization should also be frozen at current levels until these measurement systems are established.

Recommendation two outlines the specifics of the needed measurement systems. The lack of any way to measure the success or failure of programs is a critical issue. I have no idea how, after 40 years, we have a system with the stated goal of providing equal services for equal taxation but no tool in place to compare services.

In Recommendation three, we call for basic tax shifts that can help us out of this mess. We know that in order to re-balance Confederation we need major changes in the tax system. We've put forward several suggestions on how this could be done. One idea would be for the federal government to transfer a percentage of personal income tax to the provinces. This is a plan that's fair to all with weighted benefit to Ontario. There is a great deal of support from independent commentators on re-balancing through tax policy. This recommendation itself reflects the views of many scholars and experts including:

- Institute for Competitiveness and Prosperity,
- The CD Howe Institute; and
- The Atlantic Institute for Market Studies.

Number four is a recommendation geared to give us all a better understanding of the dynamics of the fiscal transfers and how any new changes affect the system, and the country.

The stunning lack of government research on these topics is truly discouraging.

Now I should acknowledge the important work being done by the Independent Review panel. This is a starting point and I'm hopeful that something productive will come from their hearings.

But we must go beyond this.

Ontario should partner with other willing jurisdictions to study the impacts particularly the impacts on the jurisdictions making those net contributions. I suspect Alberta might be interested in undertaking some of this research.

And in recent discussions I've heard there is interest at one of this province's top schools to have a department established to study this issue.

The fifth part of our plan is about communicating better information about the fiscal imbalance to the public.

It is really a call on the McGuinty government to do more to raise awareness of this issue. And the Premier should receive the support of Mr. Tory and Mr. Hampton on this issue by way of a new, all-party resolution in the legislature.

The Ontario Chamber would also like to see the Standing Committee on Finance and Economic Affairs take an active role in exploring the imbalance.

We believe that more should be done to educate Ontarians to the systemic unfairness of the federal fiscal transfer system.

Finally, recommendation six. Here we ask the federal Auditor-General to review the system and assess what measurement systems are needed to evaluate the accessibility, quality, consumer response and outcomes associated with these federal programs, because the first step in addressing this problem must be to set goals and measures which will bring a level of accountability to recipients and the federal government.

To that end, we sent a formal request to Canadian Auditor-General Sheila Fraser requesting an immediate audit of government practices relating to the transfers to provinces and the effectiveness of those programs.

Of course, while anyone can refer a matter to the Auditor-General the ultimate decision remains with her. We are, however, hopeful that she'll carefully consider our request.

Yesterday, to aid our request, we've asked that each federal leader—Prime Minister Martin, Stephen Harper, Jack Layton, Gilles Duceppe, and Jim Harris—to sign a pledge affirming their commitment to build on our research to finally after decades without sound measurement systems consider a system that can put quantifiable measures to this system that will help us rebalance Confederation.

It isn't a pledge to rewrite the Constitution or even to launch a multi-year, million-dollar commission to study it. It is about simple recognition. Simple recognition that there might be a problem, and that more work is needed to determine how these transfers are impacting the nation. That is it.

We have been in touch with all the major political parties on this issue and we are encouraged by what we're hearing.

I'll start by saying that Mr. Jim Harris of the Green party has signed the pledge, and while the Greens are not likely to form the next government their support is welcomed.

In the past couple of days we've had extensive discussions with the Conservatives. And while they haven't signed the pledge we're pleased that they are listening and willing to work with us on this issue.

The Liberals, NDP and Bloc have all been silent. They have not called or e-mailed.

So we'll work harder to reach out and keep those parties engaged in the effort.

Before I wrap up, I'd like to read to you a quote from former Premier Bill Davis who, in 1978 said, "Ontario must be more than a place to stand. It must be a place in which to stand tall, to be proud of one's own heritage, to be secure in one's own culture."

Ontario has a long and proud history of contributing to the health and wealth of Canada. Addressing the imbalance won't change that. Our provincial motto is loyal she began, loyal she remains. Certainly we, as an organization, respect that. Ontario must continue its traditional role of supporting the broader efforts of the other provinces.

However, we cannot continue to fund federal spending at the current rate, which exceeds our own provincial growth rates.

We agree that Ontario must continue to contribute; it is simply a question of scale. We cannot continue to fund programs that only feed local consumption without improving the situation. Nor should we continue to see our own public services suffer while we fund higher levels of services in other areas.

As business people, as taxpayers, as good Canadians, we need to work together, to build a more prosperous Canada, a Canada where we have 10 "have" provinces—instead of two.

I want to encourage each of you to read our report, to work with the Ontario Chamber and local chambers of commerce and boards of trade to help make a stronger, more competitive and dynamic nation.

Thank you for your time—and your interest.

The appreciation of the meeting was expressed by Jo-Ann McArthur, President and CEO, Pigeon Canada Inc., and Director, The Empire Club of Canada.

January 27, 2006

Jaime Watt

Chairman, Navigator Limited

WHAT YOU CAN EXPECT FROM THE NEW GOVERNMENT

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Warren Kinsella, Principal, Navigator Limited; Margaret M. Samuel, Chief Investment Officer and Portfolio Manager, Quadrexx Asset Management, and Director, The Empire Club of Canada; Rev. Dr. John Niles, Rector, St. Andrews United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada; Sabri Ali, Grade 12 Student, North Toronto Collegiate Institute; Robin Sears, Principal, Navigator Limited, and Director, The Empire Club of Canada; The Hon. George W. Vari, George and Helen Vari Foundation; Glen Murray, Principal, Navigator Limited; Terence Corcoran, Editor-In-Chief, Financial Post; and Dr. Helen Vari, George and Helen Vari Foundation.

Introduction by William Whittaker

Our just concluded 39th general election, which elected a minority Conservative government, leaves us much to ponder over. While the Canadian electorate didn't speak with a clear voice, the desire for change was clear and significant. We have had only 15 changes in the governing political party in our almost 140-year history. That a

Conservative government was elected is also significant, as the Conservative Party has only held power for 32 years since its 1896 defeat by Wilfred Laurier.

International editorial comment regarding our January 23rd election was insipid and really didn't provide much insight to Canadians. The Wall Street Journal's news piece was entitled "Canadian Warm Front" stating: "It's January, so naturally much of Canada has fled to Florida, but enough voters were at home Monday to cast their ballots …." Judging by the attendance at our breakfast today, some of us are still here!

The New York Times editorial was titled "Canada Tilts, Cautiously, Rightward" stating "Canadian voters have done the un-Canadian thing by electing a hard-edged Conservative, Stephen Harper, as their new prime minister."

The Economist was more muted writing about the failed promise of Paul Martin, Harper's weak minority government with no natural allies in Parliament and Canada's regionalism. All three publications spoke about the importance of Canada's relationship with the United States and the need to remove irritants between our two countries. However, Carolyn Parrish was not mentioned by name!

After dissecting the election results in detail, the National Post and Globe and Mail have been focusing on the transition and possible personalities in the new government. No doubt many of you, like me, have been avidly reading these two newspapers since the election. As an aside and not because Mr. Corcoran is here today, I think many of us in this room favour the Post's coverage and columnists given their conservative views.

Our speaker's focus today will be different from the media's perspective of telling you what the election results mean and speculating on why Canadians voted the way they did. Mr. Watt will be giving us an in-depth analysis of the results of coast-to-coast qualitative research conducted by his firm, Navigator Limited, since the election concerning Canadians' expectations of the Harper government.

Jaime Watt is Chair of Navigator Limited, a Toronto-based consulting firm that specializes in the measurement, evaluation and movement of public opinion, corporate and communications strategy and public-policy development. Navigator's four principals—Warren Kinsella, Robin Sears, Glen Murray and Mr. Watt—are senior advisors to Canada's three major political parties and have participated in elections at all three levels of government—federal, provincial and municipal.

A specialist in complex communications issues, Mr. Watt has served clients in the corporate, retail, not-for-profit and government sectors and has worked in every province in Canada, the United States, the United Kingdom, France, Central America and Korea. His most recent international work was on democratic and leadership development in Kosovo.

Mr. Watt is currently a director of the Albany Club, the Dominion Institute, the Clean Water Foundation as well as a member of the President's Advisory Council for the Canadian Red Cross. He is the current Chair of Casey House, Canada's pioneer AIDS hospice, and was a founding Trustee and Co-chair of the Canadian Human Rights Trust and the Canadian Human Rights Campaign. In 2003, he was awarded the Queen's Jubilee Medal for service to the community.

A highly regarded speaker and panelist, Mr. Watt regularly appears on CBC, Global, CTV, and TVO and in the National Post and the Globe and Mail as a commentator on public affairs issues.

If time permits, Mr. Watt will be taking questions after his speech. There are cards for your written questions at your table, which will be collected by our staff.

Ladies and gentlemen, please welcome to our podium today Jamie Watt, President and Chief Executive Officer of Navigator Limited.

Jaime Watt

One of the things we all tend to forget is just how tough Canadian voters can be when they get mad. We have become used to a "stable period" in federal politics that has lasted since the collapse of the Mulroney coalition. It's become easy to forget just how often we actually do "throw the bums out." The split on the right that destroyed Mulroney's coalition didn't really end until this past Monday. The 2004 election came too soon after the shotgun marriage for voters to feel confident about Stephen Harper, his team of survivors from a badly broken family and, more importantly, his agenda for Canada.

One of the most significant lessons of this campaign, the campaign just ended, is that the old coalition is new again. It's an old coalition that has been extensively remodeled during its decade in the political repair shop. We've dubbed this new old coalition the "New Harper Conservatives."

Monday night, Canadians participated in the biggest poll our country conducts and their verdict was clear—a result that will challenge the new government to deliver on some key commitments but to do so in the context of working with the Opposition.

This week Navigator set out to understand why Canadians made the choices they did, why they decided to join this new coalition, their expectations of their new government and what it all means for you and your businesses. We held eight focus groups, two each in Vancouver, Halifax and Quebec City on Wednesday. Last night, we were in Toronto.

This morning, we have the results of that study. I think we found some fascinating insights into what Monday's results mean, and where they are likely to lead.

I also want to remind you that this is qualitative research. Our observations are based on in-depth conversations with 72 Canadians who voted for the Stephen Harper Conservatives. This type of research allows us to get well below the surface with a group of regular Canadians. While it gives us good insight into what people are thinking, it does not allow us to draw statistically backed extrapolations of the views of the larger population.

Before I get to what we learned, I want to say a great big thank you to my colleagues at Navigator, most of whom are here this morning and most of whom didn't make it to bed last night. With a bit of luck, you'll be able to see past our bleary eyes and find it worthwhile to have given us the early part of your morning.

When we talk about the New Harper Conservatives, what or whom do we mean?

At the core of this nascent coalition is the old western Reform/Alliance. These voters have been joined by a group of new Quebec supporters, a crucially important group, whose distinct motives and unique expectations we will look at in detail.

Joining them is a group of angry, somewhat right-of-centre Liberals focused in British Columbia, Ontario and the Atlantic provinces along with most of the traditional Red Tory vote in what is now an extensively remodeled home. This quartet—Western Reform, Red Tory, Blue Grits and Bleu Quebecois—brings together most of the elements of the Mulroney coalition. But the New Harper Conservatives hold significant differences in their values and expectations. And they hold significant differences within themselves.

Understanding these values and expectations, who holds them and how they are different, allows us to assess how the Harper government will likely move forward and how it will manage its cross pressures. That's why we convened focus groups. We wanted to understand the differences among seemingly similar people. One way to understand the differences can perhaps be illustrated by looking at two groups of shoppers as stand-ins for Canadian voters. One could look at the people who shop at Loblaws and make generalized conclusions about what the shoppers look like, what their income is, where they live and so on. But that would only tell part of the story. A more detailed look would reveal that there are a group of Loblaws customers that make a special trip to their stores because of the cheese selection and a second possibly larger group that shops only for weekly specials. The people who run Loblaws need to know not only how many customers they have, but also why they shop at their stores. This requires drilling deeper into their decision-making process, which is what we have tried to do with this study. We wanted to listen to the newest additions to the Harper coalition; those that probably had the weakest attachment.

After all, for Mr. Harper to become the next Brian Mulroney and not the next Joe Clark, he will have to keep these voters satisfied enough that their loyalty deepens and they vote for him again. Our choice of cities was based on their closeness to "New Harper Conservative" heartland. In Vancouver we drew voters from outside the downtown core, to better examine the areas of Conservative strength on the Lower Mainland, and not the Liberal/NDP core. Similarly, here in Toronto we brought together 905 voters, where the Tories had strength, and steered away from the downtown ridings. In Quebec, we decided that the 418 area code around Quebec City, an area where the Tories showed amazing last minute strength that yielded four MPs, made more sense than the island of Montreal.

Finally, in the Halifax/Dartmouth area we drew voters from across the region. Our groups uncovered significant differences in motivation and expectation. Many were pushed, some were pulled, and others joined the New Harper Conservatives while closing their eyes and crossing their fingers. For several reasons, the 2006 policy agenda on which the Harper team campaigned was crucial to its success. First, it diluted anxiety about a "hidden" social conservative agenda.

Second, it demonstrated that the Conservatives had surpassed a "governmental competence" threshold. What had been so easy to mock in 2004 was now out of the Liberals' reach.

Third, it gave a credibility to the Harper campaign that was noticeably absent from the Liberal campaign in those frantic closing days.

In Vancouver, we found a greater number of "believers" than in any other of the cities we studied.

That being said, had we gone to Calgary, I imagine we would have found an even larger loyal core. But we wanted to find voters who had moved, whose choice was new, and perhaps uncertain.

GTA Tory voters were less convinced than westerners. Talk of a majority government and the pounding of negative advertising took its toll in the closing days of the campaign.

However, when it came to expectations of prosperity, Ontarians were the most bullish of all.

The Quebec voters were the newest members of the New Harper Conservatives, some having made their decision less than two weeks ago. Their very recent conversion was not a hesitation about the substance of Harper so much as a concern about wasting their votes on what was seen in Quebec as a losing proposition.

Finally, Halifax participants wanted a very constrained minority. They voted to achieve it and are delighted with the outcome. A conditional mandate. A tight leash for Mr. Harper.

This "conditionality" suited many of the New Harper Conservatives. They see their support as phased or staged and likened it to the kind of "learner's permit" new drivers are given.

For some, uncertainty about Stephen Harper remains.

But if he takes the right lessons from this victory, if he delivers on his key commitments, if he demonstrates strong management skills in the tough Parliament that he has been handed, he will be well rewarded by Canadian voters next time round.

Harper Challenges

Perhaps the mixed message that voters are sending the New Harper Conservatives to Ottawa with can be best seen through the lens of Canada/U.S relations.

In all of our groups, it was clear that the Ottawa /Washington relationship has both a practical and a symbolic meaning to Canadian voters. It maps the complexity of our views of America and ourselves.

Participants expect a Canadian prime minister to manage the U.S. relationship competently and effectively. They expect results with as little confrontation and rhetoric as possible.

The Canadians in our groups want Stephen Harper to demonstrate his ability to ease frictions such as softwood lumber and agricultural trade. They expect that the discourse between the capitals will be professional and independent, sovereign but respectful.

But there is metaphoric level in which the Harper government needs to walk with great care in its dealings with Washington. Voters see that relationship as a surrogate for their fears about the "dark side of a Harper government."

If the two leaders become "bon chums"—in the slang of young Quebeckers –it would signal an unwelcome prominence of a social conservative agenda, of the things that worry these new supporters about a Harper majority government.

What's more, the New Harper Conservatives draw a clear distinction between trade policy and foreign policy, between resolving our commercial differences and marching headlong into prosecuting an American agenda.

Antipathy to the American president runs high. In fact, among this group, it runs surprisingly high and is one of the defining differences of the values and expectations of members of this new coalition.

The Prime Minister-elect demonstrated his sensitivity to this point in his news conference Thursday when he brushed off comments by the American ambassador about Canadian northern sovereignty concerns, saying he will take his direction "from the Canadian people."

Nowhere are Mr. Harper's challenges more complex than on Kyoto. As a public-policy brand "Kyoto" has become shorthand for taking responsible action on the environment; for doing our part.

That being said, participants have only a dim idea what adherence to the Kyoto protocols would actually mean to their lives or pocketbooks.

For downtown Calgary, ground zero of the Harper coalition, we assume opposing the Kyoto targets is next to Godliness.

For the newest members of the coalition we talked to in Quebec, abandoning Kyoto would be tantamount to abandoning them and their values.

Canadians' confidence in our ability to manage our relationship with the United States without kowtowing to Washington, our confidence in our ability to stay prosperous and be environmentally sensible, and our cherished vision of a "true North strong, free and green" are all bound up in the word "Kyoto."

Which policy issues are a high priority?

For Mr. Harper, the good news is that members of his coalition are not demanding action on this issue now. None ranked it as one of the five most important issues for his government.

This does not mean that the Harper government is free to abandon Canada's commitment, and it certainly does not mean that he can join any Bush-led anti-Kyoto coalition. It does open policy options and business implications to which I will return.

Corruption

Of all the issues we discussed with participants, there was one overarching concern which united them all. The elephant in the middle of the room is the violent rage of voters about corruption. It is impossible to convey strongly enough the anger directed at the Liberal Party over the issue of political corruption. That "corruption" is the word that is now used, and not simply "scandals," is instructive. Political scientists and prosecutors can argue all they want about the amount of real "corruption" but it is irrelevant. These Canadians simply do not accept this behaviour. End of story. They're angry about it. Fed up. And they want it stopped. Time and time again, we heard about how the Liberals had stolen their money. In Toronto, when one participant said, "We don't know where that money went," he was corrected by another participant who quickly added, "Someone knows where it went. We just don't."

While dealing with the American relationship and Kyoto present tough challenges for the new government, accountability, integrity and transparency present both the toughest challenge and the best opportunity for the Harper government.

First, the New Harper Conservatives have zero tolerance for corruption.

Second, they have exceedingly high expectations of how well the Harper government will perform on this file. Even with a minority government, Mr. Harper is expected to deliver and deliver quickly on his accountability policy package.

Third, they expect him, as an extension, to keep his promises on other commitments.

The straightjacket of a minority government gives him some "room to move" on promise keeping in some areas—but none at all on integrity.

As one Halifax participant put it, "All the scandals on television just make me sick. I'm fed up with it. Enough. There had better not be any more."

Just as Enron, Worldcom and Tyco generated the demand for tough new rules and gave us Sarbanes-Oxley and whole new standards of corporate governance, so Adscam and Gomery have raised the bar on "political governance."

Woe betide the next Canadian politician who is seen to break these tough new rules. Our participants will not forgive or forget being "fooled again."

The Non-Politician

Stephen Harper seems to have been successful in tapping into this "political anger" by recasting himself as a "non-politician." The "he is a parent just like me" comments came from groups across the country. To many English Canadians he has begun to overcome the "heart-less rightwing policy wonk" box he used to occupy. To his fans among the New Harper Conservatives, he is viewed as a "guy who loves hockey and his kids" and shares my values and dreams. It is a positioning that resonates because these people think that it is real and is one, which will be valuable in deepening and broadening his coalition's reach.

At the same time, it is a somewhat perilous positioning. For, if the "non-politician" in opposition breaks that trust as a prime minister, he becomes seriously damaged. He must walk a narrow path between assuming the appropriate mantle of office and becoming too American, too presidential. When he is seen to act "like a politician"—tough to avoid in a minority Parliament—he begins to lose his appeal. If he is seen to be enjoying the trappings of office—the Challenger, the limos and globe-hopping international travel—he risks Mulroney's fate.

Canadians have often demonstrated their lack of tolerance for presidential politicians. For the members of the New Harper Conservatives we talked to, this sensitivity is higher than ever, as it plays so directly into their "anti-corruption" expectation.

Civil Politics

A while ago, my friend Senator Hugh Segal wrote a book calling for more civility in political life to sneers of many pundits. But Canadians from coast to coast in these sessions used words like Hugh did; words like "respect," "professional," "effectiveness," "getting things done" when describing the tone they expect.

Nowhere is that revulsion at "the finger in the eye" political style more evident than in Quebec. The generation of insults between federalists and sovereigntists has worn out the generation that grew up with these epic battles, and is regarded with contempt by a younger generation for whom it simply appears bizarre.

Managing Quebec

Our B.C. groups want an end to "pandering to Quebec." They see the province as a "spoiled child." Ontario and Atlantic Canadians resent any "special deals" for the province.

The Harper government should never allow Quebec to have a greater international role. Quebec voters in our groups, on the other hand, have only modest expectations of a Harper government.

First they want "respect." This may seem innocuous or of little consequence, but it is the very absence of that respect that lies at the heart of the rage about Gomery.

They do not expect a Meech II, rather they expect a relatively quiet period of negotiation on issues like immigration, training, and health care between Ottawa and Quebec.

They are tired of the rhetorical excess of the Bloc. After all, many of the New Harper Conservatives in Quebec were Blocistes until only days ago!

They have chosen to gamble on Harper as the only non-Liberal federalist choice they see. The NDP is rejected on grounds of not being competitive, the Liberals beneath contempt.

These Quebeckers' expectations of Harper seem muted. They respect his strenuous efforts to learn French and to understand the basics of Quebec political culture. His Dec.19 Quebec City speech made an impact on them as much for its delivery and its tone as its substance.

They worry about the fiscal imbalance and expect action but they are also brutally realistic about whom they blame for the province's challenges.

One participant recalled Mr. Harper's campaign response to the infamous Liberal "soldiers in the city" ad: "The only soldiers in Quebec cities in our recent history were there as a result of a Liberal decision." To our surprise and that of our Quebec partners, Leger Marketing, Stephen Harper has moved beyond the "my kind of non-politician" status he has in English Canada and has become an object of deep affection. In Quebec he seems to be on the verge of crossing from the "cool, reserved" hardworking guy to a leader who is both loved and admired.

A young voter said they could see Harper developing charisma, becoming a "great prime minister like M. Mulroney."

Comments like these seem to represent the beginning of "an affaire" between some deeply disenchanted Quebec voters and the new prime minister. We expect to see the Harper government devoting much political energy to fostering this essential new component of their coalition.

How federal-provincial relations are addressed in substance, how the fiscal imbalance is actually bridged is probably less important than that they are seen to be the object of serious political effort by Mr. Harper, with a degree of respect for Quebec's political itches.

This, of course, must be skillfully done to avoid a backlash from other parts of Harper's coalition.

Delivering On The Economy

There is excitement at some of the elements of the Harper economic agenda and a real belief that with it will come new-found prosperity. Participants felt strongly that, at the end of a Harper government, things would be better economically, that their standard of living would be raised, that they would have more of the things they wanted, more money in their pockets and more time to spend with their families.

Which policy issues are a high priority? GST reduction and childcare payments are widely popular. There is neither interest in, nor opposition to capital gains tax changes.

As a point of interest, we also asked our participants if they would like to see the government permit mergers among financial-services institutions. And the answer, simply put, is a resounding no. Not one ranked this as a priority issue. Many said it was something the new government should not go near.

Crime

The demand for tougher, more effective measures to keep criminals off the streets is strong and is a big winner for the Harper government. This ranks in the top-three issues that these voters expect fast action on.

Health Care

One surprise was the interest in health care. Although it did not seem to feature highly in the campaign, there remains a deep level of concern about the quality of health-care provision across all groups and regions. It is matched by an anxiety about the future of the system and its ability to provide the care we want, when and where we want it. There seems to be, at the same time, less concern about how health care is provided than that wait times are reduced and quality improved.

Harper Conservatives we talked to seemed poised to support greater flexibility in the mix of public-private health-care solutions. This may give the Harper government some room to move in negotiating their “wait-time guarantee” deals with the provinces.

This is one of the areas where, despite a minority Parliament, members of the New Harper Conservatives expect action.

The Regions

Canada’s famous regionalism seems not to have been an issue in the decision of the Harper coalition to support the new team. In Atlantic Canada there was a weary recognition that Quebec and Ontario will always trump a federal government’s agenda, but no greater unhappiness about how a Harper team will treat their region than they felt towards the Liberals.

Similarly, our B.C. voters understood the need to govern for all of Canada, but they believe they have some ownership of this new government, something they clearly did not believe about its predecessor.

Only our Quebeckers will judge their deeper commitment to this new political alignment with some concern and some hesitation about the regional sensitivity of the government. They no longer see Mr. Harper as solely an Alberta champion. In fact, several participants thought the Bloc's endgame ad featuring a mocking reference to Calgary with a cowboy hat in their ads was silly.

Our Ontario participants understand their province's place in Confederation, and are therefore comfortable about their influence with this federal government. They believe that Mr. Harper believes the only way he can win a majority government is by winning more seats in Ontario and that is as good an insurance policy as one can buy.

Priorities

In summary, the cross-section of New Harper Conservatives we spoke to want the government to go to work on three issues while at the same time avoid three landmines. The three issues are:

1. Integrity in government package;
2. Cuts to the GST and childcare package that provides for parental choice;
3. Wait-time and health-care guarantees.

If Mr. Harper wants to earn the support of this coalition next time out, he must, at all costs, avoid:

1. Any scandal, no matter how trivial;
2. Acting "presidential," like the other politicians;
3. Becoming a Bush poodle.

The Impact On Canadian Business

How will all these cross pressures impact on Canadian business?

Several themes are clear from the research:

1. The combination of consumer confidence, optimism at the prospect of GST reductions and a childcare package mean anyone in the business of selling hard-ticket items to Canadians should be pleased by the next few quarters.
2. If you are in the financial-services sector, do not count on capital gains tax being an early priority, unless you fight to make it so. It does not seem to be moving ordinary voters in this New Harper coalition. At the same time, there is not serious opposition to it.
3. Among these New Harper Conservatives there is an increasing willingness to consider mixed health-care solutions. It has not reached the tipping point yet, but the goal posts are moving. The private health-care sector may be granted more freedom to play a role in the provision of solutions in those areas likely to improve wait times or performance assessment.
4. Canada/US relations should improve, which may mean Mr. Harper can find a resolution to some festering trade issues important to the affected sectors. However, new initiatives may not be possible especially those delivering increased economic integration such as greater cross-border security. They may become hostage to Mr. Harper's reasonable fears of being seen to be "too close to the Bush White House" unless they can be framed in ways that avoid that taint.
5. For those in the environmental or energy sectors, the Harper government is likely to continue your uncertainty about a resolution of Kyoto and, in the short term at least, offer a process solution.

The next six months will be crucial for the new government, demonstrating that it "knows how to do politics" without looking political; delivering deals without looking like sleazy dealmakers; and keeping promises while being tripped daily by a hostile and experienced Parliament.

Our participants have set high expectations for Mr. Harper, but they also want him to succeed.

He will be rewarded for trying hard, and his enemies will need to be careful in their efforts to frustrate him, if they are to be successful in stopping this newest coalition in Canadian politics.

Thanks very much.

The appreciation of the meeting was expressed by Robin Sears, Principal, Navigator Limited, and Director, The Empire Club of Canada.

February 2, 2006

The Hon. Michael J. L. Kirby

Senator, The Senate of Canada

CURING CANADA'S SICK HEALTH-CARE SYSTEM

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Robert J. Dechert, Senior Partner, Gowling Lafleur Henderson LLP, and Past President, The Empire Club of Canada; Helen He, Grade 12 Student, North Toronto Collegiate Institute; Reverend David Harrison, Incumbent, St. Thomas' Anglican Church, Brooklin; Earl A. Cherniak, QC, Partner, Lerners LLP; Valerie D. Wise, LLB, LLM, Associate, Miller Thomson LLP; Stanley H. Hartt, Chairman, Citigroup Global Markets Canada Inc.; The Hon. Wilbert Keon, Senator, The Senate of Canada; Ann Curran, Director, Corporate Relations, AIC Limited, and Past President, The Empire Club of Canada; Patrick J. Monahan, Dean, Osgoode Hall Law School, York University; Cathy Needs, Total Compensation Programs Executive, IBM; Caroline Blouin, Director, Pensions and Benefits, RBC Financial Group; and Kevin Dougherty, President, Sun Life Financial Canada.

Introduction by William Whittaker

Senator Kirby is the third speaker in our luncheon series on the future of Canadian health care, sponsored by Sun Life Financial, a leading international financial-services corporation chartered in

Canada in 1865. Dr Ruth Collins-Nakai, President of the Canadian Medical Association and George Smitherman, Ontario's Minister of Health and Long-Term Care spoke to us late last year and invitations have been extended to others to participate in this series.

Canada's man of letters, John Robert Colombo, wrote the following tongue-in-cheek description of Canada in his 1965 essay entitled "O, Canada."

"Canada could have enjoyed:
English government,
French culture,
and American know-how.
Instead it ended up with:
English know-how,
French government,
and American culture."

How apt an analogy to describe our well intentional publicly funded Canadian health-care system today with the great gap between its original concept and the present reality of waiting times and the non-uniform delivery of publicly funded medical services and drug programs among the provinces. Mr. Colombo's views regarding American culture echo Canadians' concerns about Canada moving toward the American model of private health-care delivery.

We are told that social programs such as medicare are now part of our identity. David Frum's counterpart to this view is succinctly set out in his October 12, 2000 column in the National Post.

"Social programs are all very well, in moderation. But they hardly constitute a national identity. Medicare did not climb the cliff to the Plains of Abraham in General Wolf's knapsack. We copied it from Britain three years after we imported the twist."

However, Premier McGuinty, in his May 2004 health-policy speech to a joint meeting of the Empire Club and the Canadian Club, stated succinctly that Ontarians support a universal publicly funded system of health care "anytime they are asked in a poll or at the polling booth." The debate for Ontarians, he said, is how to improve the delivery of publicly funded health care.

For the past few years, health policy, given the polarity of these philosophical viewpoints, has become the most fertile aspect of public-policy debate in Canada, with the question of sustainability being paramount both from a financial and demographic viewpoint. The status quo defence is set out in Roy Romanow's 2004 report entitled "Building on Values—The Future of Health Care in Canada." The question of financial sustainability has been trumpeted by the Fraser Institute among others, their most recent missive in this regard being their November, 2005, study measuring the sustainability of provincial public-health expenditures in Canada. In October 2002, Senator Kirby's Standing Senate Committee on Social Affairs, Science and Technology published its report entitled "Recommendations for Reform" concerning the long-term financial sustainability of health care.

There is now a new player involved in the Canadian health-care debate—the courts—and in particular, the Supreme Court's recent judgment in Chaoulli v. the Attorney General for Quebec. The Chaoulli decision is based on the Canadian and Quebec Charter of Rights and it is ironic today that our speaker has had a dual involvement in this case. We all know that Senator Kirby and his fellow committee senators were interveners in Chaoulli and all four of their lawyers grace our head table today—Messrs. Cherniak and Hartt, Dean Monahan and Ms. Wise. These lawyers are to be commended for working pro bono on this case, which involved much preparation time.

What is not as well known is that Senator Kirby was also involved in the 1982 repatriation of Canada's Constitution and the incorporation therein of our Charter of Rights. Indeed in that famous picture of the Queen and Prime Minister Trudeau signing the Constitution Act of 1982 in front of the Centre Block, our speaker is the individual holding down the papers while they were being signed on that very windy day!

Michael Kirby's first federal government appointment was as Assistant Principal Secretary to Prime Minister Trudeau from 1974 to 1976. In 1980, Mr. Kirby, as he then was, was appointed Secretary to the Cabinet for Federal-Provincial Relations where he was the senior bureaucrat responsible for the constitutional negotiations which led to the 1982 patriation of our Constitution. In early 1982, Michael Kirby took on the additional role of Chairman of the newly created Task Force on Atlantic Fisheries whose report laid the basis for a new fisheries policy—one which continues largely intact today.

Senator Kirby, who was appointed to the Senate in 1984, is the present Chairman of the Standing Committee on Social Affairs, Science and Technology. From 1994 to 1999, he was Chairman of the Standing Senate Committee on Banking, Trade and Commence.

Senator Kirby is currently a member of the Board of Directors of the Bank of Nova Scotia, Extendicare, Ontario Energy Saving Corporation, Indigo and C.P.I. Plastics. He is also Vice-Chair of the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants.

Please join me in welcoming Senator Michael Kirby, Chair of the Senate's Standing Committee on Social Affairs, Science and Technology to our podium today.

Michael Kirby

I thought this would be a tough audience, so I brought my team of lawyers—and a cardiac surgeon too!

This is the first time I have had the pleasure of addressing the Empire Club, although my old boss Pierre Trudeau spoke here in 1972 on Canada's foreign policy, and my mentor and fellow senator, Michael Pitfield, also addressed the Empire Club in 1983. I am honoured to be following their distinguished footsteps.

Over the past five years your club has heard from a number of people on health care, ranging from St. Mike's CEO and former Ontario deputy minister of health Jeff Lozon to former federal health minister Allan Rock.

Looking through the club's record of speeches, it is interesting to see that Tommy Douglas, the father of medicare, spoke here four times, but never about health care. Clearly I am joining a most remarkable group of Canadians in speaking here today. I thank you for this opportunity.

As we saw in the recent federal election, health care and wait times remain a hot political issue. The public—and hence politicians—seem more focused than ever on the wait-times issue. Or perhaps I should say, as most Canadians would, that finally national political leaders are focused on shortening wait times.

In October 2002, the Standing Senate Committee on Social Affairs, Science and Technology, comprised of seven Liberals, four Conservatives and one independent senator, released its final report on the acute health-care system in Canada, "The Health of Canadians." That report unanimously recommended that governments adopt a health-care guarantee. This guarantee would ensure that Canadians get timely access to medically necessary health services.

Twenty months later, in June 2004, essentially the same group of senators intervened in the Chaoulli case before the Supreme Court, with the help of the expert legal counsel who are at the head table with me today. One year later—almost to the day—in June 2005, the Supreme Court released its decision on the Chaoulli case. That decision was precisely what the committee had predicted it would be in its 2002 report. Indeed, the majority judgment relied heavily on the committee's report and on the factum we submitted as intervenors in the case.

More recently, during the last federal election, both the Conservatives and the Liberals included a health-care guarantee in their platforms, although they differed somewhat on its details.

Clearly the health-care guarantee is an idea whose time has come.

The health-care guarantee is a simple concept, but one with far-reaching implications. The concept is that health-care professionals would set evidence-based maximum wait times for various procedures. Once this maximum wait time had been reached, a patient would be entitled to immediate care, paid for out of public funds, even if that care had to be provided in another province or in another country.

I stress that the committee defined timely in a very precise way. Timely access is an evidence-based point in time at which a patient's health begins to deteriorate significantly if treatment is not received. Thus, it is not a subjective standard determined by a patient's anxiety.

The rationale for the health-care guarantee is that since, under medicare, governments have assumed responsibility for being the monopoly supplier of an essential service—health care—then governments have an obligation to meet reasonable service standards. The maximum wait times define the required service standard.

The health-care guarantee has come to the forefront of political and public-policy debate, not only because it resonates so strongly with Canadians, but also because of the Supreme Court decision in the Chaoulli case.

In the Chaoulli decision, the Supreme Court concluded, as did the Senate Committee, that—contrary to popular belief—Canadians do not have a Charter right of access, timely or not, to medically necessary care. But Canadians do have a right to not be prevented from solving the access problem on their own, if the medicare system does not provide them with timely care.

That is, the Supreme Court and the Senate Committee both said that if governments cannot meet reasonable service standards, then they cannot block access to a health-care system. They must allow the patient to pay for the service using his or her own money, or to have the service paid for out of an insurance policy whose premiums had been paid by the patient or by an employer.

Thus government cannot prevent you from accessing care outside the publicly funded system when timely access to care in the public system is not available, since the failure to provide timely access violates a patient's section seven rights—the right to life, liberty and security of the person—under the Charter. This was the argument that we made as interveners in the Chaoulli case, and which was supported by the Supreme Court.

In the past couple of years, health appeals tribunals in both Quebec and Ontario have also ruled on the timely access issue. These appeal tribunals made the only decision they could make which was consistent with their mandate: they forced governments to pay the cost of the patient getting the service in another province or another country. That is, they adopted precisely the same remedy that the Senate Committee proposed with its care guarantee. Unfortunately the remedy, when it was granted by the appeals tribunals in Quebec and Ontario, came long after the patient had paid for the service out of his or her own pocket and received the service in another country.

The recent Ontario case of plaintiff Adolpho Flora in Ontario is, however, quite different. Mr. Flora personally paid the cost of a lifesaving liver transplant in Britain. Flora received a live donor transplant from his brother in January 2000. At that time, Ontario had no program for performing live liver transplants between adults. Thus, receiving the treatment in Ontario was not an option. In 2002, the Ontario Health Services Appeals Review Board ruled that the Ontario government did not have to reimburse Mr. Flora. This case is now before the Ontario divisional court.

This case is quite different from the Chaoulli case. Mr. Flora is trying to establish that he has a right to a particular medical procedure even though that procedure was not available in Ontario at the time that his treatment was undertaken in Britain. Clearly the Appeals Review Board is correct. Governments are not required to pay for a service, which is still at the experimental stage in Canada.

Dr. Chaoulli, on the other hand, was trying to establish the right to pay personally, or through insurance, for a service, which is available in Canada but not provided to a patient in a timely manner. The Supreme Court said that he had that right.

Even though technically legally the Chaoulli decision only applies in Quebec, the practical political reality is that it applies everywhere in Canada. Canadians abhor a two-tier health-care system. Nothing would be more two-tier than allowing Quebeckers to buy insurance and denying residents of other provinces this same right. To do so would be politically impossible.

It is worthwhile reflecting upon the reaction some people have had to the Supreme Court decision in the Chaoulli case. Many on the political left, who usually cheer the court's decision with respect to protecting individual rights, have sharply criticized the court in this case. Indeed, they have called the Chaoulli decision the decision of an "activist court."

What does "activist court" mean? It simply means that they strongly disagree with the decision.

Just as the adjective "political" attached to the word "decision" means a decision with which we disagree, so does the adjective "activist" when it is attached to the word "court."

None of us call a government decision with which we agree a "political decision." No one calls a Supreme Court decision with which they agree an "activist decision." The words political and activist are meant to be pejorative.

The fact is that the Chaoulli decision was no more "activist" than, for example, the Supreme Court decisions on same sex marriage, abortion or native rights issues. Yet people have criticized the Chaoulli decision as being an "activist decision," even though these same people supported the court's decision on these other issues.

Clearly, these critics do not understand the history of the Charter.

In 1981, when the Constitution was being negotiated, first ministers discussed at length the issue of the supremacy of Parliament and legislatures versus the supremacy of the courts. Premier Lougheed of Alberta and Premier Blakley of Saskatchewan argued strongly for the supremacy of Parliament and the legislatures. Premier Davis of Ontario and Prime Minister Trudeau argued that the rights of Canadians should not be subjected to the whims of politicians.

The compromise reached at the 1981 constitutional negotiations was to include in the Charter of Rights and Freedoms a notwithstanding clause. This clause enables Parliament or a legislature to override a court decision for a period of five years.

Those of us involved in the federal side of the 1981 constitutional negotiations believed that it would be virtually impossible politically for a government to use the notwithstanding clause. So agreeing to it was not a problem for us. History has shown we were correct: the notwithstanding clause has only been used once outside Quebec in 25 years.

The point of this brief history lesson is to show clearly that anyone who disagrees with the decision of an "activist" court should not blame judges for using the power they were consciously and deliberately given by the nation's leaders in 1981.

Moreover, the history of the Charter shows clearly that major social changes caused by government inaction—inaction because the issue is highly emotionally charged and hence politically risky—frequently requires the courts to intervene: same sex marriage, abortion and aboriginal rights are examples.

In addition, common sense says that the Supreme Court decision in the Chaoulli case was the only reasonable one the court could have made. It cannot possibly be just and reasonable in a free and democratic society that government has a right to so severely ration the supply of health-care services that a patient suffers, and perhaps even dies, waiting for access to care, while simultaneously the government denies the same patient the right to solve the problem for himself in Canada. Yet this is precisely what our current system does.

Following the Chaoulli decision, and indeed, following the recent federal election, many commentators, and Canadians in general, are asking where to from here on the health-care issue. I believe that the future will include a combination of two distinctively different strategies, plus, potentially, some much more radical changes to the system. The objective of Canada's publicly funded health-care system must be to ensure that Canadians get timely access to the quality care they need, and that those responsible for the funding and delivery of that care are held accountable for meeting that goal.

Currently, our health-care system allows governments and providers to shift the consequences of excessive wait times onto the backs of patients. Sadly, at present, doing so costs governments and providers nothing.

The bite of the health-care guarantee lies in the requirement that governments pay for treatment wherever it is available, including outside the country, should the maximum wait time be exceeded. Governments must incur a penalty—the cost of sending a patient for treatment in another jurisdiction—for their excessively tight rationing of the supply of health-care services in order to deter them from continuing to download the consequences of excessive wait time onto patients.

Cost is not the only thing about the health-care guarantee which government will want to avoid. They will also want to avoid the inconvenience, and added stress, to patients and their families, which will be caused by travelling to another jurisdiction.

Therefore, some form of a health-care guarantee will be one of the strategies governments will adopt.

The second strategy will necessitate major changes in the delivery of health care in Canada. The hospital monopoly on service delivery will have to end. There has to be a substantial increase in the number of specialized clinics; most notably in fields such as orthopedics, imaging and ophthalmology. All of these procedures will increasingly be done in clinics, which are much more efficient, and hence less expensive then a full service hospital.

In many cases these clinics will be privately owned, as are virtually all doctors' offices. And, also like doctors' offices, the services provided at these private clinics will be paid for out of public funds.

As part of the changes in service delivery, the funding structure for health care will also have to change dramatically. There is a strong need to move towards service-based funding (marginal cost pricing), particularly for elective procedures for which wait times are the longest: hip and knee replacements, cataract surgery and so on. Service-based funding will require hospitals and clinics to bid competitively against each other to provide the required number of operations.

This combination of service-based funding and competitive bidding will cause some hospitals to lose revenue and some providers to lose income. However, it will make the system much more efficient, help to significantly reduce wait times and provide a strong incentive for scarce providers to restructure the delivery system.

As an illustration of the point I am making about the need to change the way health-care services are delivered, consider the results of a recent pilot project in Alberta.

The Alberta project was targeted at reducing wait times for hip and knee replacements—elective operations for which there is a very long wait list in every province.

The government of Alberta dedicated $20 million to the pilot project. The project included opening up central assessment clinics. The advantage of setting up the central assessment clinics is that a patient could avoid the wait list to see a specialist, then the wait list to get an MRI, before joining the orthopedic surgeon's wait list to get the actual surgery.

A second major advantage of a central assessment clinic, combined with a region-wide wait list, is that it ensures that the most urgent cases get treated first. This does not happen when individual doctors control their own wait list.

The pilot project also dedicated specific operating rooms to hip and knee replacements. This reduced prep times and ensured that all the operating room staff, including nurses, became specialized and hence more efficient in their work.

The use of specialized service facilities (or production lines) has long been used in the business world to reduce service or production costs. The Alberta example clearly illustrates that the same principles should be adopted by the health-care system.

The only change required by patients is that they agreed to be operated on by whichever member of the team of orthopedic surgeons was available.

In an interim report released in December, it was found that the wait time for these hip and knee operations went from 82 weeks under the old system to 10.7 weeks currently; a reduction of 86 per cent!

Surgeries were done in public hospitals in Edmonton and Red Deer, while in Calgary they were done in private clinics. Both were found to be equally efficient in terms of cutting wait time. Both were found to provide equal quality of outcomes. And both were paid out of public funds.

The committee was not surprised by this result. We argued in our report that health-care services should be provided by the most efficient service provider, no matter what their ownership structure was. The committee does not care if the service facility is public or privately owned. It is quality and timeliness of service, combined with efficient service delivery, which we believe should determine who provides a health-care service.

The process used in the Alberta pilot project is precisely the same process which the Ontario Cardiac Care Network has been using successfully for more than a decade. It is the principal reason that wait times for cardiac treatment are no longer an issue in Ontario, as they were in the early 1990s, before the Cardiac Care Network was created.

Note that the success of both the Ontario and Alberta examples depends critically on specialists giving up control over their individual patient wait lists, and all patients being assessed using the same numerically based assessment criteria. Greater efficiency and greater fairness to patients is the result of such a process.

Now that local health integration networks (LHINs) have been established in Ontario, the question becomes:

are specialists in this province prepared to give up control over their individual wait lists? Are they also prepared to support a region-wide assessment system in order to ensure that the most urgent patients get treated first?

Cardiac surgeons in Ontario enthusiastically answered yes to these questions more than a decade ago. It is high time that other specialists did the same!

Moreover, if other specialists are not prepared to change, government should consider overriding these objections and implement the more efficient system anyway. No single interest group should be able to block the restructuring of the health-care system.

These are but some of the changes that service providers will have to make in the very near future, if the Canadian system as we know it is to survive.

Other required changes include reducing the monopoly power of service providers, both professional and non-professional. The power of various groups to control, by way of rigid scope of practice rules, who can and cannot perform various procedures must be weakened.

This monopoly power is why, for example, the profession of nurse anesthetist does not exist in Canada, even though it exists in other major OECD countries. In those countries, nurse anesthetists have proven extremely useful in helping to alleviate the shortage of anesthetists.

A few moments ago I said that, in addition to the strategies I have just outlined, some potentially more radical changes may result from the Chaoulli decision.

The Supreme Court gave Quebec until June of this year to put in place a system which would allow an individual to buy insurance which would pay for services which are available under publicly funded medicare. The Quebec government was due to announce its new policy in December, but wisely withheld the announcement until after the federal election. While no one knows the kind of change Quebec will propose, one can envision many possibilities.

Let's take an example. Consider a system which allowed individuals to buy insurance to pay for some high-volume relatively routine services, particularly those services which currently have the longest wait times and which could be performed in specialized clinics better than in a full-service hospital. These services would be supplied by doctors, done in clinics and paid for by the insurance company.

To ensure that doctors continue to work the major part of their time in the publicly funded health-care system, a doctor could be restricted by law from taking such private-pay patients until he or she had treated a specified number of patients in the publicly funded system.

Currently, the income of specialists is capped in most provinces. (It was capped in Ontario until the most recent contract was negotiated with the Ontario Medical Association a few months ago).

Capping a specialist's income has been used across the country as a means of controlling health-care expenditures. The practical affect of capping is to ration the supply of a specialist's services.

Rationing has also been achieved by prohibiting a doctor from treating both public and private-pay patients. This would have to change in the system I am describing.

Under this system, the doctor's productivity would improve as he or she would be seeing more patients and doing more procedures. Moreover, wait times would be shorter in the publicly funded system because the insured patients, which the specialist treated, would no longer remain on the publicly funded wait list.

In addition, the human resources available to serve medicare patients would not be reduced, as all specialists would be required to work up to their capped income in the publicly funded system.

On the surface, this system appears to be appealing. But many Canadians will be strongly opposed to it because it would be the start of a parallel privately funded health-care system in Canada. That is services, which are currently publicly insured would be available to be paid for either by government or by private insurance.

In summary, the system would have the advantage of reducing wait times, and the disadvantage of creating a parallel privately funded health-care system.

In spite of this disadvantage, it is important to note that the system I have just described would be very similar to health-care systems in most of Western Europe and Australia, where both a universal publicly funded and a privately funded health-care system co-exist.

Despite what groups such as the Canadian Healthcare Coalition and the NDP argue, Canada's choice is not between the status quo or going to an American-style system. Clearly, Canada will never go the American route. But equally clearly, Canadians need to seriously consider what we can learn from health-care systems in other OECD countries—other than the United States.

I have given you this example of a radically different system, not because I necessarily support it, nor because I know that it is what Quebec will propose, but because I think that the Chaoulli decision must cause everyone involved in health care to think differently about how to structure the system. The Supreme Court has said that the unchanged status quo is no longer an option.

Resistance to change will come from a variety of corners; hospital unions, members of the medical profession and health bureaucrats will all be forced to relinquish some of the monopoly power they currently have.

But in spite of this resistance, major change is inevitable. The Supreme Court has said that excessive rationing of the supply of health-care services cannot be justified; that the health-care system must stop violating an individual's section seven rights, or else give individuals the opportunity to pay privately for their health-care services.

The Senate Committee's preferred solution is the health-care guarantee, which ensures that an individual's section seven rights are never violated.

What I have tried to illustrate today is that there are other ways of meeting the conditions set down by the Supreme Court—ways, which are similar to the health-care systems of Western Europe and Australia.

I have done so because I believe that it is absolutely essential that a full range of practical options be explored as Canada embarks upon fundamental change to its health-care system.

Canadians must not allow themselves to be intimidated by aggressive defenders of the status quo. Nor should they believe the fear mongers who say that changing the Canadian system will automatically lead to U.S.-style health care. Most importantly they must not be blinded by dogmatic devotion to the icon of the Canada Health Act.

All practical policy changes, which would satisfy the Supreme Court decision, must be unemotionally assessed.

The Chaoulli decision will not destroy Canada's publicly funded health-care system. But it will put significant pressure on hospitals, health-care workers and doctors to improve the efficiency of the service delivery system.

It will also put great pressure on those responsible for setting health-care policy to think more creatively, and to be willing to consider policies, which are outside the box defined by the Canadian Health Act. The Supreme Court has said that such policies must be considered because the government must stop violating an individual's section seven rights.

The end result, whatever it is, will be here very soon. I believe that no matter what its details are, it will lead to better health care for all Canadians.

The appreciation of the meeting was expressed by Ann Curran, Director, Corporate Relations, AIC Limited, and Past President, The Empire Club of Canada.

The Hon. Wilbert Keon, Senator, The Senate of Canada, Valerie D. Wise, LLB, LLM, Associate, Miller Thomson LLP, Patrick J. Monahan, Dean, Osgoode Hall Law School, York University, The Hon. Michael J. L. Kirby, Senator, The Senate of Canada, Earl A. Cherniak, QC, Partner, Lerners LLP, and Stanley H. Hartt, Chairman, Citigroup Global Markets Canada Inc.

February 9, 2006

Peter Cullen

Chief Privacy Strategist, Microsoft Corporation

THE INTERNET BATTLEFIELD: WORKING TOGETHER TO SUPPORT ONLINE SAFETY

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Kamal Hassan, Director, The South-East Asia Group, and Director, The Empire Club of Canada; James Gibbons, Grade 11 Student, North Toronto Collegiate Institute; Reverend Vic Reigel, Honorary Assistant, Christ Church, Brampton; Steven Heck, Chief Privacy Officer, Microsoft Canada; Jeff Green, Chief Privacy Officer, RBC Financial Group; Lou Natale, Director of Sales, RedKnee Inc., and Director, The Empire Club of Canada; Al Saplys, Director, Government Affairs, Microsoft Canada; and Dr. Ann Cavoukian, Information and Privacy Commissioner, Province of Ontario.

Introduction by William Whittaker

Microsoft Corporation is the world's largest software corporation, with 2005 global annual sales of almost $40 billion and 64,000 employees in 85 countries and regions. Headquartered in Redmond, Washington, Microsoft develops, manufactures, licenses, and supports a wide range of software products for computing devices. Its most popular products are the Microsoft Windows operating system and the Microsoft Office suite of productivity software, each of which has achieved near ubiquity in the desktop computer market. Microsoft's name is a portmanteau for "microcomputer software" and was founded in Albuquerque, New Mexico in 1975 by Bill Gates and Paul Allen. I note that Microsoft Canada is a significant company in its own right with annual sales of $1 billion and 1,000 employees.

Mr. Gates, in his speech to our club almost 10 years ago, was remarkably prescient on how the personal computer industry would develop. I quote: "...computers, multimedia and networking technologies will be used by tens of millions of people worldwide: to manage and operate their businesses, to educate and entertain their children and to communicate with each other over vast distances... You'll have a computer in your car and you'll have something that you carry around in your pocket that hooks up to the wireless network...You can even have hundreds of thousands of pictures of your kids to show other people."

Mr. Gates last comment was made before he became a father so perhaps he was a bit more enthusiastic than a parent would be!

Microsoft Corporation is the engine behind Mr. Gates's personal fortune, which funds the activities of the Gates Foundation. In its six-year existence, the Gates Foundation has helped save at least 700,000 lives in poor countries through its investments in vaccinations and health care. In the United States, its library project has brought computers and Internet access to 11,000 libraries. It has sponsored the largest privately funded scholarship program in history, sending 9,000 high-achieving minority students to college. It is the largest foundation in the world, with an endowment of $29 billion and is the reason why Bill and Melinda Gates were named Time Magazine's 2005 Persons of the Year along with Bono.

Microsoft has become an urban legend subject to rumour and speculation, one example of which was the claim by the Seattle Post-Intelligencer in April 2003 that Microsoft was bringing Internet access to the portable toilet world. Microsoft's iLoo was to be equipped with a wireless keyboard and an extensible, height-adjustable plasma screen located directly in front of the seated user.

There was also to be an external "Hotmail station" consisting of a waterproof keyboard and plasma screen on the outside of the iLoo so people could do something useful while they queue. The newspaper also claimed Microsoft was in talks with toilet-paper makers to produce special paper imprinted with URLs that users may not have tried. It quoted a Microsoft marketing manager as saying, "The Internet's so much a part of everyday life now that surfing on the loo was the next natural step. People used to reach for a book or mag when they were on the loo, but now they'll be logging on! It's exciting to think that the smallest room can now be the gateway to the massive virtual world."

If the announcement touting Microsoft's supposed latest innovation in consumer computing convenience had been issued on April 1, it would have been taken for a gag, but since it was issued on April 30, everyone from the Wall Street Journal to the Associated Press ran it as straight news. After a few weeks of increasing media comment, Microsoft finally announced the iLoo was a hoax.

As Chief Privacy Strategist for Microsoft Corporation, Peter Cullen is directly responsible for managing the development and implementation of programs, which enhance the privacy of Microsoft products, services, processes and systems. It is interesting to note that Mr. Gates, in his speech to us, foresaw the importance of computer security and privacy.

Mr. Cullen is a regular speaker at conferences, both in the U.S. and internationally. He is a founding member of the Association of Corporate Privacy Officers, is on the Board of the International Association of Privacy Professionals, and also serves on the board of TRUSTe, a group dedicated to privacy and trust on the Internet.

Prior to joining Microsoft, Mr. Cullen served as the corporate privacy officer of the Royal Bank of Canada responsible for influencing initiatives respecting RBC Financial Group's strategic approach to privacy. He has a Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario.

Please join me in welcoming Peter Cullen, Chief Privacy Strategist for Microsoft Corporation, to our podium today.

Peter Cullen

Thank you for such a kind welcome. I appreciate the opportunity to address a key business group such as the Empire Club on a topic that impacts every business.

It's a subject that inspires hype, fear, and distrust.

In the words of the Music Man, "There's Trouble in River City." In a connected world, we cannot assume that everyone's computers and vital information are safe. Much as the good citizens of River City felt they were waging a war against sin, we are all engaged today in fighting a different war on a new battlefield, shaped by the

Internet and its increasingly vital role in all aspects of business and personal life.

The bad news: the very real damage incurred by businesses and customers are having a definite impact on the issue of trust. A recent study by industry analyst firm Gartner indicated that 77 per cent of on-line banking consumers log in less frequently as a result of fears around security and 14 per cent stopped paying their bills on-line. For on-line shoppers, 33 per cent of those surveyed by Gartner were buying less than they otherwise would.

This lack of trust affects everyone in the Internet value chain. Businesses like yours increasingly use information technology to create value for your customers and your shareholders. Breaking that trust disrupts that chain and has a real and negative impact. Just how big? The FBI 2005 Computer Crime Survey estimated $67 billion in U.S. computer-related hacks, attacks and cyber crime.

The good news: the key stakeholders in creating a safe and trusted computing experience—the PC industry, business and consumer groups, and government—are taking real steps to raise awareness, deliver new technologies and provide legislation and enforcement that can better protect computer users while ensuring the continued growth and business opportunity for companies involved in on-line commerce and communications. It's a tough, on-going battle, but we are bringing a lot of forces to bear on behalf of our customers—people like you.

My role as Chief Privacy Strategist is to ensure that the trust of information flows is optimized in a very broad and holistic way: from how Microsoft manages user information, the way our technology provides protection and the capability to protect and how we work in the overall Internet, technology and policy ecosystem. This work often covers both privacy and security, as in many ways these two issues are intertwined for users.

My hope today is to:

- Briefly paint a picture of the privacy and security landscape—how this impacts all of us;
- Describe the forces that comprise what I call the Internet Battlefield, and threats to information flows;
- Touch on Microsoft's three-pronged approach to building online safety;
- Discuss in some detail how public and private partnerships represent the operational framework for delivering on-line safety and security;
- Perhaps give you and your business some ideas as to how you can contribute to closing the "trust gap."

The Changing Landscape

First, I'd like to make a couple of comments about the implications of the PC revolution—a movement that has grown from a small group of trusted users to a global network that reflects an incredible convergence of devices and information.

It's hard to believe sometimes, but in less than three decades, the PC has evolved from a toy for hobbyists and enthusiast users into the quintessential productivity tool for business and personal use. I would venture to say that no other single technology has so completely and so quickly transformed the world of business.

At the same time, the way in which PCs are used has dramatically changed—from a small group of trusted users, where everyone knows everyone else, to devices that are connected virtually anonymously on a global basis. It's almost quaint now to talk about what we used to call "sneaker networks," where people would literally take a floppy disk and walk it down to their colleague's computer and insert it. That was the network of 1981. Today, the concept of a non-connected PC is an oxymoron. Everyone's connected, and everyone fully expects to have the world at their fingertips with a click of a mouse or a couple of strokes on the keyboard. This complexity is now exponentially increasing by virtue of the increasing adoption and use of mobile devices that connect back to PCs, and to various information and communication networks. The sheer volume of data that gets moved around voice and data networks is staggering, particularly when you consider that in the developing world cell phones function as multi-mode devices—for gaming, multimedia, and computing—not just for voice.

If it wasn't hard enough just managing security between PCs on a local network in one company, now we have to deal with how to keep vital information secure and private between smart cell phones, PDAs, MP3 players, laptops, desktops, and servers. Devices that connect and share data are proliferating on a global basis.

The Increasing Threat

While all of this connectivity gives users unprecedented opportunities to stay linked in wherever they are, and on whatever device they might have, it also has increased the opportunity for bad guys to attack computer networks for a variety of nefarious purposes.

At the same time, while the range of threats has broadened, the nature of the typical computer hacker has also changed. In the early days of computer hacks, the goal was often just to prove that the security of a given system could be breached…bragging rights. Now, hacks are done with not only malice but with criminal intent—to steal information and identities, and defraud consumers and businesses. The severity has increased along with the potential ways in which security attacks take place. Organized crime is increasingly becoming a player in this space since information is both the currency of value and the currency of crime. This is much like the response of famous bank robber Willie Sutton when he was asked, "Why do you rob banks? His answer was appropriate: "Because that's where the money is."

The Internet Battlefield

In a real sense, security and privacy have become a battlefield, with consumers and legitimate businesses having to protect themselves both at the front-end—when they connect to the Web or log on to their PC or other device—and on the back-end, where the bad guys harvest data sent from unsuspecting users once they have been the victim of an attack. We call it the Internet (or Trust) Battlefield.

The modes of software attack, regardless of what form they take, are all surreptitious, global and anonymous. Anyone can be targeted—whether it's a PC user at home or a business computer user on a network.

Spam—most people are familiar with this one—is all about unsolicited e-mails. Some estimates say spam increased from about 60 per cent of overall e-mail traffic in 2003 to 85 per cent in 2005. Spam will cost businesses $50 million globally in 2005 according to industry analyst firm Ferris Research. Anyone that thinks spam is merely annoying, but harmless, e-mail is sadly mistaken.

Related to spam, but even more malevolent, is phishing—a deliberate attempt to illegally gain access to personal information. Of course, even in pre-Internet days, phone scam artists would try to get people to give them personal and private information. PCs and the ubiquity of the Web has given these scam artists new tools. More than two million individuals have lost money via phishing fraud; there are over 3,000 unique phishing sites at last count, and the number is growing at a 5X rate per year.

This increasing sophistication in cyber crime techniques means that users are often not even aware that their PC has been hijacked or that their personal information has been compromised. As government agencies and e-mail providers such as Microsoft have cracked down on ways of exploiting consumer and business PCs, many computer criminals have turned their attention to creating zombies. "Zombies" are PCs that have been taken over by the bad guys to be used for malicious purposes. They gain control of PCs by tricking people into loading malicious code by hiding it in e-mail attachments or in music, video or other files that people download online—or even within data transferred when clicking on an infected Web site. Zombie computers can then be used to launch attacks.

As a result, illegal spam sent by zombie computers has increased dramatically in recent months and as of this summer now accounts for more than half of all spam, according to studies conducted by industry groups. In addition, computer criminals can use zombie computers to launch phishing attacks that try to steal personal information, such as Social Security and credit card numbers. To create an even larger scale of attack, so-called "botnets" are a network of "bots" or zombies—armies of hijacked computers—all connecting to a control server awaiting the commands of the hijacker. They are used for illegal purposes, including spreading malware, distributing spam, harvesting personal information such as credit card data and launching denial-of-service attacks.

And cyber criminals have other ways to fool unsuspecting users. Pharming is the more sophisticated cousin of phishing. It happens when criminal hackers redirect Internet traffic from one Web site to a different, identical-looking site, in order to trick someone into entering their user name and password into the database on their fake site. Banking or similar financial sites are often the target of these attacks, in which criminals try to acquire personal information in order to access your bank account, steal your identity, or commit other kinds of fraud. Pharming is even more insidious than phishing, since you can be redirected to a false site without any participation or knowledge on your part.

What Is the Impact of All This?

Where does this impact business? Earlier in my remarks, I cited the recent FBI study on $67 billion in financial damages cause by cyber crime. And that's just one study that shows how computer crime directly affects the business community in terms of bank and credit card fraud. But it also inhibits the entire growth of e-commerce. A recent Consumer Reports survey revealed that 90 per cent of U.S. Internet users over the age of 18 have changed their on-line behaviour because of potential identity theft concerns. In that same survey, 30 per cent said they had reduced their Internet usage and 25 per cent said they had stopped using the Internet for e-commerce.

The result—even as industry has made significant strides in consumer education and in enhanced tools and technologies to help protect users against attack—is that we have a growing crisis of confidence among PC users. If the Internet is to fulfill its long-term potential as a source of communication and commerce, we need to re-kindle that customer confidence—all of us.

Another key challenge, and one that we can attack, comes from data breaches from within both public and private sectors. This happens when companies don't keep close track of employees with password access, or have not implemented a comprehensive set of internal controls around data access and privacy. As a result, we are seeing increasing numbers of insider crimes in terms of leaking key financial and sensitive information.

Probably the most recent and noteworthy example of this is Choicepoint. Through a malicious attack involving social engineering, criminals were able to extract sensitive personal information on hundreds of thousands of individuals with the result being at least 800 incidents of ID Theft. These types of incidents are also contributing the "trust gap" that consumers are experiencing which contributes to the change in their behaviour. As a side note, Choicepoint shaved off $910 million of shareholders' value when this incident first became public and was just fined a total of $15 million by the FTC. That's what I would call a substantial impact.

Solutions Will Take Time

Clearly this is a problem that will not be solved quickly. There's no silver bullet, and it will require a co-ordinated, multi-pronged approach. It truly takes a village to make itself safe; everyone has a stake.

For Microsoft, we approach online safety holistically across three pillars: technology, education, and partnerships with both the public and private sectors.

Clearly technology is the front line, in terms of what customers tend to experience—the patches, downloads and new products that address emerging and identified threats. Since we launched our Trustworthy Computing effort in 2002, we have focused on delivering not just specific products in responding to attacks and threats, but also on thinking more systemically about security. The latest example is what we call the Security Development Lifecycle, which focuses on security from initial design of products, through delivery to customers. We're starting to see the first products shipped that have been designed from the ground-up using that process, and we'll eventually extend it to all future products.

The second bucket of activity for Microsoft—and I believe the industry—around security is in educational outreach to consumers, IT professionals, software developers and industry partners. This can be done by individual companies, but there's a lot of value in partnering with key consumer and government bodies to help spread the word around tips and tricks and basic precautions that users can take today to protect themselves. We've partnered with the Federal Trade Commission and the National Consumers League, for example, to help provide guidance to users. We need to do much more of this as an industry, and view education as a continuing, long-term process.

The third bucket—partnerships—offers all stakeholders an opportunity to collaborate on the problem and the need for a comprehensive approach to winning the battle. These partnerships involve stakeholders across the security spectrum, from industry alliances to trade associations and consumer groups, government and law enforcement authorities around the world. I'd like to talk a bit more about the issue of partnerships because it is so relevant to the need to build trust.

Public/Private Partnerships—Building a Framework for Safety

Microsoft is currently involved in a number of industry associations and collaborations, all with the goal of sharing information and collaborating on solutions that benefit customers; that's the litmus test for us in terms of whether a partnership is effective. This includes groups like the Secure IT Alliance, the Virus Information Alliance and the Global Infrastructure Alliance for Internet Safety.

We also believe that partnership can focus on specific areas of attack, like spam and phishing, and we work with groups dedicated to combating those specific threats.

As I mentioned before, the emergence of privacy, in the context of security, has begun to focus attention on Data Governance—compliance activities catalyzing security and privacy activities within the enterprise. For a variety of reasons, there is a need to monitor, manage, and protect data in a manner that complies with corporate policy, industry standards and regulatory requirements. This applies not only to private enterprise but to educational institutions, non-governmental organizations and the like.

Compliance requires planning and design across multiple dimensions: development of detailed policies and procedures; the need to educate staff and employees in regard to these policies and procedures; maximizing the use of products that enhance protection capabilities; ongoing monitoring to improve compliance and governance procedures as needed, and most importantly, to think about Information Security from a 360-degree perspective.

Overall, this requires a multi-layered approach; both top-down and bottom-up. We need to continue to improve inherent system capabilities—software that is secure by design at the operating system and application levels.

As I just mentioned, businesses need to define, implement and monitor procedures and policies. And lastly, we need to focus on legislation and enforcement efforts where appropriate. Microsoft has aggressively pursued illegal software attacks and has worked closely with law enforcement agencies on a global basis. But more work remains to be done, particularly around comprehensive legislative approaches to balancing the needs of security and privacy. Let me talk about that in more detail.

A Comprehensive Legislative Approach

Microsoft's overarching goal for privacy and security continues to be to create a trusted environment for Internet users. While we will continue to pursue work along the three pillars of technology, education and partnerships, there is a growing need to look at a comprehensive legislative approach in the U.S. as well.

I believe there are three key factors that have led us at Microsoft to support a comprehensive legislative response at this time:

- First, an increasingly complex patchwork of federal and state laws—certainly in the U.S. —around data and financial privacy;
- Secondly, growing concerns among consumers about privacy and identity theft;
- Lastly, we see an increasing need for comprehensive measures to improve not just security, but also consumers' understanding and control over their personal information.

With regard to the first issue, the current convoluted legal environment not only hampers and confuses businesses, but also does not serve the interests of consumers. Too many local policy makers have passed stop-gap measures that are confusing at best and contradictory at worse when considering the ability of e-commerce to transcend local and national geographic boundaries. A national legislative framework that encompasses the core components of data privacy and security would obviate the need for a proliferating array of issue-specific, stop-gap measures.

On the second point, as I noted earlier, consumers and business are more than just concerned about security and privacy issues. They are taking action by either limiting their on-line activities, or opting out entirely and not using the Internet for banking and commerce. Even as the economic and social benefits of the Internet are unchallenged, if individuals will not take full advantage of the Internet because they believe that their information or data could be compromised or disclosed in unexpected ways, that hurts us all.

The third factor—increasing consumer demands for a comprehensive legislative solution for both security and for greater consumer disclosure—springs from the increasingly aggressive tactics of computer criminals around data and identity theft. While many state and local lawmakers have proposed or enacted privacy and notification requirements in the aftermath of highly publicized identity theft, we still have a lack of transparency in how companies are collecting, using and disclosing information in the first place.

Microsoft believes there are four core principles that should be the foundation of any federal legislation on data privacy:

The first principle is to create a baseline standard across all organizations and industries, for both off- and on-line data collection and storage. This federal standard should be enforceable by both the national and local levels and as much as possible, be consistent with privacy laws around the world.

The second core principle is to increase transparency regarding the collection, use and disclosure of personal information. This would include a range of notification and access functions, such as simplified, consumer-friendly privacy notices and permitting individual access to personal information.

Thirdly, any legislative approach must provide meaningful levels of control over the use and disclosure of personal information. Any legislative approach must balance what we believe is a requirement for organizations to obtain individual consent before using and disclosing information, with the need to make the requirements flexible for businesses, all the while avoiding bombarding consumers with excessive and unnecessary levels of choice.

The fourth principle for any approach must be to ensure a minimum level of security for personal information in storage and transit. Within that baseline, individual industries and organizations should have the discretion to implement the most appropriate technologies and procedures around storage and transit for their respective markets and customers.

In closing, I just want to reiterate that we see the Internet and Trust Battlefield as very complex, with many points of attack and many opportunities for the bad guys to create harm for businesses and consumers. I also firmly believe that the increased awareness around security and privacy is driving the industry, government and customers toward a common goal of making the Internet a safer and more trusted environment. Certainly it is a foundational commitment for those of us at Microsoft.

I hope that my remarks have given you a better understanding of how Microsoft thinks about these critical issues, and perhaps provided you with an initial model of how your business can play a part in closing that gap of trust that we see within the statistics today. Thank you.

The appreciation of the meeting was expressed by Lou Natale, Director of Sales, RedKnee Inc., and Director, The Empire Club of Canada.

Dr. Ann Cavoukian, Information and Privacy Commissioner, Province of Ontario, Peter Cullen, Chief Privacy Strategist, Microsoft Corporation, Steven Heck, Chief Privacy Officer, Microsoft Canada, Jeff Green, Chief Privacy Officer, RBC Financial Group, and Kamal Hassan, Director, The South-East Asia Group, and Director, The Empire Club of Canada.

February 16, 2006

Nicholas Le Pan

Superintendent of Financial Institutions, Office of the Superintendent of Financial Institutions Canada

A REPORT ON THE WORK OF THE OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Catherine S. Swift, President and CEO, Canadian Federation of Independent Business, and Second Vice-President, The Empire Club of Canada; Nordo Gooden, Grade 12 Student, Westview Centennial Secondary School; Rev. Eleanor Clitheroe-Bell, Executive Director, Prison Fellowship Canada and Assistant Curate, St. Cuthbert's Anglican Church, Oakville; Bill Knight, Commissioner, Financial Consumer Agency of Canada; Guy L. Saint-Pierre, President and CEO, Canada Deposit Insurance Corporation; Stan Griffin, President and CEO, Insurance Bureau of Canada; Bart J. Mindszenthy, APR, Fellow CPRS, Partner, Mindszenthy & Roberts Corp., and Immediate Past President, The Empire Club of Canada; Raymond Protti, President and CEO, Canadian Bankers Association; and George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company, and Past President, The Empire Club of Canada.

Introduction by William Whittaker

A lawyer and an accountant were discussing with St. Peter at the Pearly Gates why their admission to heaven was being held up. All of a sudden, there was a great flourish of trumpets, the Pearly Gates opened wide and a person in a magnificent robe on a great white horse charged through into heaven. The lawyer and the accountant looked at each other in wonderment and asked St. Peter if that was God. "No," said St. Peter, "he was a bank regulator who thinks he is God."

Under our Constitution, banking and insurance are matters of federal jurisdiction. Transnational policies resulting from unified federal regulation in Canada have allowed our banking and insurance industries to develop significant entities in relation to our small and scattered population. Contrast the Canadian experience with that of the United States, whose banking and insurance industries started with non-uniform state regulation and development. Indeed, the early regulation of the American banking and insurance industries parallels that of our securities industry today which is regulated by 13 different jurisdictions and faces increasing demands for one national regulator.

In 1990, Robert MacIntosh, a former president of the Canadian Bankers Association and senior executive with the Bank of Nova Scotia for many years, authored a book entitled "Different Drummers" which is rich in history and anecdotes respecting the Canadian banking system. In his book and in a speech to our club in September 1991, he outlined the impact of the changing regulatory climate on Canadian banks both from an international and national perspective beginning with Sir Henry Pellet of Casa Loma fame and the Home Bank collapse of the 1920s to the international collapse of the Bank of Credit and Commerce International in 1991. When BCCI was closed down by the British authorities in July 1991, one million investors were affected. Subsequent investigations revealed BCCI had been organized to avoid centralized regulatory review and to commit fraud on a massive scale. In Canada, the story was a happier one as the Superintendent of Financial Institutions at the time, Michael MacKenzie, did not rely on the supposed international supervision of the parent but quietly put the clamps on BCCI Canada by placing it on a monthly licence, monitoring its asset quality and requiring it to increase its capital with the result that it did not fail.

Mr. MacIntosh's remarks can be summarized by the statement that the only constant in the history of our Canadian banking and insurance industry is change and that significant challenges have been met by our regulators. The bottom line is that although

Canadian banks and insurance companies have failed with losses to their shareholders, depositors and policy holders have been protected.

The Office of the Superintendent of Financial Institutions, or to use its acronym OSFI, was created in 1987 by joining together the former Department of Insurance and the Office of the Inspector General of Banks. OSFI regulates and supervises all federal financial institutions which at last count consisted of 148 deposit-taking institutions, 305 insurance companies and 31 foreign bank representative offices. It also oversees a multitude of private pension plans of companies and Indian bands, which fall under the jurisdiction of the federal Pension Benefits Standards Act.

This is Mr. Le Pan's second address to our club as Superintendent of Financial Institutions and, as before, he is not riding a white horse. Our sellout audience indicates a high degree of interest in his speech to us today.

Nicholas Le Pan was appointed Superintendent of Financial Institutions effective September 1, 2001 for a seven-year term. Prior to joining OSFI in 1995, Mr. Le Pan led a Department of Finance task force which produced the government white paper on the supervisory, deposit insurance and policyholder protection regimes we have today and the subsequent legislation implementing them.

In July 2003, Mr. Le Pan was appointed Vice-Chair of the Basel Committee on Banking Supervision of the Bank for International Settlements. Mr. Le Pan is also a member of the Auditing and Assurance Standards Oversight Committee and the Governing Council of the Canadian Public Accountability Board.

Please join me in welcoming Nicholas Le Pan, Superintendent of Financial Institutions to our podium today.

Nicholas Le Pan

Welcome.

The Office of the Superintendent of Financial Institutions (OSFI) is the prudential regulator for over 450 banks and insurers and over 1,200 federally registered pension plans. Prudential means we focus on safety and soundness. It also means we care about the success of the institutions and plans we regulate.

There are two topics I would like to share with you today: first, the state of the financial institutions and pension plans regulated by OSFI and my view of important factors for success in regulation going forward.

OSFI's Mandate

OSFI has a mandate from Parliament for early intervention to deal with potential safety and soundness problems and to promote policies and procedures designed to control and manage risk.

OSFI's legislation requires us to have due regard for banks and insurers to be able to compete effectively and take reasonable risks.

It also recognizes that management, boards of directors and pension plan administrators are ultimately responsible and that financial institutions and pension plans can fail. I know the word "fail" doesn't make most of us feel warm and fuzzy. Having said that, the Canadian financial-services industry (like the industry worldwide) has been enormously successful over the past decade at weathering disruptions that would have produced a lot more serious consequences historically. It's easy to forget how to deal with problems.

Recognition of the Importance of the Financial-Services Sector

I want to emphasize that policy-makers, regulators, decision makers, and those in charge of financial institutions need to recognize the incredible importance of the financial-services sector to the Canadian economy. A properly functioning, efficient financial-services sector is behind so many parts of our economy and our day-to-day lives. Financial services represent 6 per cent of Canada's Gross Domestic Product, employ over 600,000 Canadians and pay $13 billion in taxes. They are one of the few, large, internationally successful groups of Canadian companies. Toronto is headquarters for five major banks and two major insurers. That concentration in a single North American city may be unique outside New York. The sector is also very important in other Canadian cities. So finding and keeping a regulatory regime that protects depositors and policyholders, but also supports industry success, matters.

State of the Industry

Financial Institutions

The credit quality of banks has been excellent and they are well capitalized. Core earnings remain near record highs.

We may have passed the peak in credit quality and there is that old truism that bad loans are made in good times. The market and credit risk in complex, potentially illiquid products deserves ongoing and active management.

Capital ratios for the life insurance industry remain well above minimum regulatory requirements. Overall, we see a stable outlook, with improvements in profitability, asset quality and capital levels.

I think inherent operational risk for banks and insurers is still increasing, though so is the capability to manage it. Reputation risk issues, including anti-money laundering and counter-terrorist financing, deserve ongoing heightened attention. Our message is also that expense control should not undercut high-quality compliance and risk management.

Many smaller banks or life companies are less diversified, pursuing niche-oriented strategies to remain competitive. The challenge is to ensure that, in an effort to achieve growth and sales objectives, these institutions do not make compromises that ultimately add risk beyond their capability to manage.

Returns on equity in the property and casualty insurance sector are approaching 20 per cent, though there are some that are nowhere close to that. I have been pleasantly surprised by the sustainability of these results.

The improvement in operating results since 2002 has led to a material decline in the number of property and casualty insurance companies subject to OSFI's heightened supervision.

I am impressed by the property and casualty insurance industry's commitment to strong discipline in pricing and underwriting. That reduces the risk of a repeat of the bad times of a few years ago.

Internationally, the loss experience of the past two years from catastrophes was the most severe in history. But the strong financial condition of the sector meant the global industry was able to sustain the impacts of these events. The spill-over effect on Canadian insurance markets has not been serious.

Lastly, parts of the banking and insurance industries have experienced material compliance lapses. But these have not been systemic in Canada in my judgment. The response by industry in tightening oversight and governance from OSFI's perspective has been impressive.

Major banks and insurers are following much more divergent strategies than they used to. They are operating in a more complex environment—more complex products, different geographies, tougher competition, and less room for error. Overall, however, in part pushed by regulators like OSFI, management, governance and oversight of risks is markedly improved from five or 10 years ago. Canadians need to understand better what a success story this has been.

Pension Plans

In contrast, the defined benefit pension plans that OSFI regulates continue to show significant challenges to their long-term health and viability. Our estimates show that some three-quarters of defined benefit pension plans have a solvency ratio of less than one and the number of plans on our watch list is rising and we expect it to rise further. Partly this is due to lower market interest rates and to the fact that people are living longer. It is fair to say the situation for defined benefit pension plans continues to be challenging, but I believe it is manageable.

OSFI has seen an increase in the use of defined-contribution-plan versus defined-benefit-plan arrangements.

Does this matter? I think so. Defined benefit and defined contribution arrangements are, of course, markedly different in how they share risk. I don't advocate one over the other, but I think that employers and employees ought to have a fair choice and know what the real risks are. Right now, I think the choices are stacked against defined benefit plans. Partly this is because of tax rules, partly because of ongoing fights regarding ways to resolve surplus disputes, and partly it results from costs of multiple rules and rigidity in funding.

Some Important Success Factors Going Forward

So, as a country, what does it take to maintain and sustain success going forward?

The Right Mindset in Approaching Regulatory, Legislative and Policy Issues

Financial institutions are not public utilities. Success is important, particularly from OSFI's perspective, as it is the number-one line of defence against safety and soundness problems.

What do I mean? The economic and financial environment has been exceptionally good, and I have no sense of short-term deterioration. But we know that from time to time stresses inevitably arise. We want the financial-services sector to be accepting risk and measuring and managing risk well. When you are dynamic and accept risk, there are going to be losses. And we want the financial sector to be a good absorber of economic and financial shocks, not a magnifier of shocks, as it has been in some countries. When industry players have major losses, it is one thing if those losses eat up only a quarter or two's earnings, it is quite another if they cut materially into capital and thus risk cutting into public confidence.

Of course the financial-services sector is regulated, and there are important tradeoffs between various policy goals. But when I tell people what I do for a living they don't enthuse about the safety and soundness and success of our financial-services industry.

And in terms of mindset we have to understand that those who want to continually bash major industry players are not committing a victimless crime. Of course these organizations make mistakes from time to time. They need to be fully held to account for those. That's what OSFI does in the safety and soundness sphere. But making decisions about rules and policies based on a "bashing" mindset is wrong.

I do not advocate failing to address legitimate public-policy issues and concerns (whether it be who ought to market or distribute insurance or how par policyholders ought to be treated). But it does mean addressing these issues based on as much dispassionate analysis and judgment as possible, and with a full range of options under consideration, not just on interest group politics or the "sky will fall" kind of analysis.

And it means facing the real financial and economic costs of suggestions before deciding whether they are a good thing—not, for example, promoting new guarantees for pensioners as inexpensive or neglecting to mention that a guarantee fund could make the regulatory job harder by reducing incentives for plan stakeholders to face and solve their problems themselves.

When public-policy decisions affect major strategic direction of financial institutions, or of defined benefit plans, it is also key that whatever decision is taken by governments be clear and timely; otherwise we introduce unnecessary risk and inefficiency into the system.

Efficiency and Rules

This is also where efficiency in the legislative and regulatory structure comes in. If we don't give due regard to efficiency, we sap success.

I believe that the prudential regulatory system stacks up pretty well in this regard. OSFI runs a reliance-based, risk-focused regulatory and supervisory system that is not very costly. Our average cost recovery from a large financial institution is \$4–5 million. We are increasingly working with foreign regulators such as the U.S. and the U.K. to avoid unproductive duplication and overlap in our supervision program. In Canada, harmonization of key prudential rules between the federal government and provinces is in place. Basic prudential rules are becoming less one-size-fits-all and more related to real risks.

On the market conduct side of financial institutions regulation, in contrast, we have a bewildering array of factors, both federally and provincially, risk-based approaches to regulation are just starting to be talked about, a range of products that are economically similar are treated differently, and my sense is that compliance costs are rising rapidly.

One key question is always whether we need more rules, and the balance between principles versus rules. This is not only a matter for those of us at OSFI, but also for other financial regulators and other standard setters who have a big impact on financial institutions, such as in the area of accounting and auditing.

Today, I think we've reached "new rule overload"—new accounting rules, Sarbanes-Oxley 404, new international rules in banking and insurance, and new market conduct rules.

Over the past few years, OSFI has tried very hard to resist the temptation to put in place detailed new rules. The Basel Committee on Banking Supervision, whose membership is composed of the G-10 countries and of which I am proud to be serving as Vice-Chair, has decided on a rule pause.

More and more rules and more detailed rules risk becoming a checklist, at which point their benefit is greatly reduced; the rules themselves become a risk. At worst, a financial institution or a regulator administering a plethora of rules may take their eye off the things that really matter.

In the pensions world, efficient regulation means dealing with the issues raised (in the recent Department of Finance discussion paper) to create a more level playing field in the choice between defined benefit and defined contribution plans. I support those initiatives. Longer term, it also means recognizing the costs to plans of dealing with rules from multiple jurisdictions.

Whatever happens with these bigger picture pension initiatives, they are unlikely to be much help with the immediate funding challenges faced by defined benefit plans. Nevertheless, they should still be pursued.

For efficiency in regulation, I strongly support key rules based on international norms. But then, we must be very disciplined to allow for local variants or add-ons, only where it is absolutely essential.

Focus on Contingency Preparedness

Even in good times OSFI and the institutions we regulate have to be prepared to deal with problems. Increasingly, we don't just focus on risks but also on the resiliency of our institutions and the financial system to deal with the unexpected. Currently, for example, OSFI is reviewing the contingency plans of major banks and insurers to deal with a flu pandemic. While there can be no guarantees of success, I am satisfied with financial institutions progress to date in this regard.

Pensions—The Short Term

Dealing with problems like those in the pension sphere means facing them, communicating frankly with those who need to be involved, and acting. Despite the continued decline in solvency ratios and the fact some plans are in difficulty, the majority of federal plans continue to fund their deficits. However, because of current challenges, plan administrators may need to review their plans' benefit structures and determine whether the plans, in their current structure, continue to be affordable. Don't wait for interest rates or markets to turn around. In the present environment, high-quality disclosure to members regarding the health of their plan is key.

OSFI has seen a marked increase in the number of plans seeking to reduce benefits. In some cases, this option may be better for plan members than the alternative of plan termination. But I want to be clear: this is not an easy road to pursue.

Recently, the Globe and Mail called OSFI the most active pension regulator in Canada. I like to think that is true. To that point, OSFI is prepared to continue working with plan sponsors and members to find reasonable solutions. This could involve plan restructurings to make them more affordable, and we are approving benefit reductions where this is better for plan members than the alternative of plan termination. We have been impressed by the number of plan administrators/sponsors, who have given us a heads-up on looming problems. It is very important to engage OSFI early in the process so that we can consider viable options together.

Pension Funding Rules

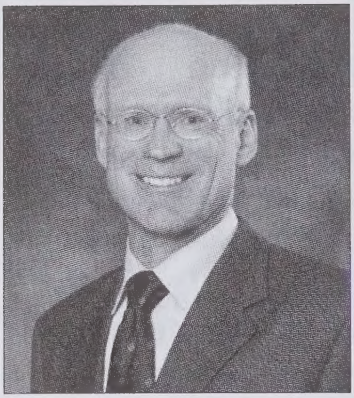
OSFI would support flexibility in the regulations, perhaps temporarily, for plans to deal with increased deficits. However, we also want it more likely that plan members will not be any worse off under any new arrangements and that they are made aware of the risks. This decision is not OSFI's to make, and we will continue to work with the Department of Finance on these issues.

Conclusion

Despite the issues I have mentioned here today, Canadians can have a high degree of confidence in the fundamental soundness of our financial institutions and private pension system. The prudential regulatory system is sound. Thank you.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company, and Past President, The Empire Club of Canada.

Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Retired Specialist in Special Education, and Honorary Director and Archivist, The Empire Club of Canada, Nordo Gooden, Grade 12 Student, Westview Centennial Secondary School, and Nicholas Le Pan, Superintendent of Financial Institutions, Office of the Superintendent of Financial Institutions Canada.



February 22, 2006

Gwyn Morgan

Executive Vice-Chairman, EnCana Corporation

CANADIAN VALUES AND THE RESPONSIBILITY THAT COMES WITH LEADERSHIP

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Kamal Hassan, Director, The South Asia Group Ltd., and Director, The Empire Club of Canada; Jessica Van Rooyen, Grade 12 Student, North Toronto Collegiate Institute; Reverend Douglas Kramer, Pastor, St. Philip's Lutheran Church, Etobicoke; John C. Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada; James S. Kinnear, President, CEO and Director, Pengrowth Management Limited; Beverly Topping, President and CEO, Institute of Corporate Directors; Sean O'Sullivan, COO, HSBC Bank Canada; Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; The Hon. David Crombie, PC, OC, President and CEO, Canadian Urban Institute; John Stackhouse, Business Editor, The Globe and Mail; Raymond J. Protti, President and CEO, Canadian Bankers Association; and Byron C. Neiles, Vice-President, Legal, Regulatory and Public Affairs, Enbridge Inc.

Introduction by William Whittaker

A 1950's quote attributed to Charles Wilson, then President of General Motors Corporation and subsequently Secretary of Commerce in the administration of President Eisenhower, captured the ethos of the times. "What's good for General Motors is good for America." Business was in ascendancy after the devastation of the Second World War and the 1950s to the 1970s saw the development of the international corporation carrying on business in many countries. The investment community was mainly occupied with underwriting the investment offerings of established companies and most market scandals, at least in Canada, were related to business startups on our junior exchanges. Viola MacMillan's Windfall Mines and C. Powell Morgan's Atlantic Acceptance fiascos of the 1960s led to the establishment of the Ontario Securities Commission and the hegemony of today's investment industry regulation. The moral certitude of the time was that big business and its executives could do no wrong.

A watershed change occurred in the 1980s with the rise of the mutual fund industry when investment performance became the mantra of the investment community. Enterprising investment companies developed the buyout mechanism for underperforming companies which resulted in increasing debt burdens causing management to focus almost entirely on short-term returns to keep share prices high. Established companies also had to contend with the euphoria of the dot.com industry of the late 1990s where unheard of market valuations were placed on neophyte or concept dot.com companies. Likewise, the mantra of investment returns produced such outright frauds as Canada's Bre-Ex.

A more ominous development were the number of senior corporate executives in the United States who were charged and convicted of outright fraud or of manipulating the accounting records of their companies to enhance financial results. To name a few of the better known examples:

- Bernard Ebbers of WorldCom fame where the loss to investors was $11 billion;
- John Rigas's theft of $3.1 billion from Adelphia Communications;
- Dennis Kozlowski's theft of $400 million from Tyco International; and
- Andrew Fastow's manipulation of Enron Corporation's financial records.

The real tragedy was that Adelphia and Enron went bankrupt with employees losing their jobs and pension entitlements.

There were also black sheep in the investment community—for example, Frank Quattrone formerly of Credit Suisse/First Boston who was convicted of obstruction of justice, the same charge that sank that doyen of domesticity, Martha Stewart, at least for a while.

The reaction to all this inventive financial structuring and criminal activity in the senior echelons of American business has resulted in the growth industry of the first decade of this century—corporate governance and business ethics. The United States Sarbanes-Oxley Act and our milder Canadian version, while laudatory, are in many commentators' views placing a heavy compliance burden on issuers. It has meant increasing business for the legal profession and has led to a major restructuring of the accounting profession, as many mid-level accounting firms no longer do audit work, given regulatory demands, liability exposure and the prohibition from doing other work for their audit clients. What the proper balance is between regulation and its cost is today a raging debate.

This ongoing debate is now focusing on the importance of a senior executive's personal ethics and values, which cannot be legislated but must come from within. No doubt many of you read Monday's Report on Business article about the impact of executives lying on their personal resumes.

Our speaker today is a senior statesman of Canadian business who will speak to us about leadership and values in Canada from a wider perspective than my introductory remarks respecting the business community. Gwyn Morgan is from the big sky country of Alberta where these days optimism abounds and where people rightfully ride tall in the saddle. He is not from the navel-gazing East and has a clear view of what is right and what is wrong.

Mr. Morgan was the founding CEO of EnCana Corporation, which resulted from the 2002 amalgamation of Alberta Energy Company and PanCanadian Energy Corp. Prior to that, he was President and Chief Executive Officer of Alberta Energy Company which he joined at its inception in 1975. In January 2006, he assumed the role of Executive Vice-Chairman of EnCana, primarily as Advisor to Randy Eresman, its newly appointed President and CEO.

Mr. Morgan serves as the lead director of HSBC Bank Canada, a director of Alcan Inc. and SNC-Lavalin Group Inc. and a member of the Energy Advisory Board of Accenture Ltd. He is a member of the Board of Trustees of the Fraser Institute.

In 2005, Gywn Morgan was recognized as Canada's outstanding CEO of the Year and also as Canada's Most Respected CEO. He has received the Canadian Business Leader Award from the University of Alberta, the Ivey Business Leader Award from the University of

Western Ontario, and the Strategic Leadership Forum President's Award.

Please join me in welcoming Gwyn Morgan, Executive Vice-Chairman, Encana Corporation to our podium today.

Gwyn Morgan

Three decades ago I joined a startup oil and gas company. On January 1, I stepped down from the role of CEO of North America's largest oil and gas exploration and production company. Some people ask me how it feels to have realized my dreams. To them I say: "How could a farm kid from a small, rural community even have had such dreams?"

So if it wasn't dreams, what was it that drove me forward on my journey?

Well, the first thing was my father, who possessed the capability, but not the opportunity to receive the education I was privileged to receive. His greatest dream was for his only son to achieve a better life than he and my dear, hard-working mother had.

And second was my innate curiosity, which meant I could never learn enough about the world around me. Those were the two biggest motivators that propelled me forward in life's journey. But we all know that success in life requires much more than God-given abilities and motivation.

How often do we see exceptionally talented people veer off course because of bad choices? We can all name someone from the world of sports, entertainment, business or politics who has veered off course destroying their own lives and those of people closest to them.

As well as ability and drive, I believe success in life's journey requires two other critical qualities: self-discipline, to stay on the course you choose and ethical values or moral compass, which directs you to make the right choices.

It's the ethical values component that I want to focus on today and more specifically the critical importance of high ethical values in the people chosen for leadership positions in our country.

I have been passionate about the importance of strong Canadian-headquartered enterprises, and about the importance of building a company upon a foundation of strong ethical values. So when people ask me what it is about my career in which I take the most pride, my answer is two-fold: the building of a flagship Canadian company that competes and ranks with the world's best, and the development of its moral compass—EnCana's corporate constitution. Our corporate constitution is a unique document that defines the character of the company, and the ethical and behavioural expectations of everyone who works for or with us. EnCana's constitution is an intrinsic part of life in the company. It's available online at www.encana.com and I think you'll find the 15 minutes or so to read it will be well worth your time.

Companies need strong values to "live long and prosper," to use a quote familiar to us, the now-not-so-young fans of Star Trek.

So do countries.

Last summer, as we planned to mark an important anniversary, my wife tallied up some 43 countries we had visited in just the last decade. Only a few of those countries offer a quality of life anywhere near what we enjoy in Canada. In fact, if you move outside North America, Europe, Scandinavia, Australia and New Zealand, how many countries can you think of that even come close?

The difference isn't our resources, or our education and health-care systems, and it's certainly not the weather. And it isn't just because we're a democratic country; there are many democracies that are not very desirable places to live.

No, it's all about values—Canadian values. It's the ethical foundation that our forefathers have built which defines what we love about being Canadian.

Our new prime minister, Stephen Harper, has defined Canadian values as freedom, democracy, the rule of law, human rights, free enterprise and compassion for those less fortunate.

The question is, at this point in our country's history, which of these values has been most under threat?

My answer is really a subset of the first one: freedom from corruption.

Corruption destroys the lives of people who live in countries where its cancerous tentacles strangle their hopes and dreams. It teaches the young that corruption is "natural" and you must "play the game." There are whole continents and sub-continents where corruption is so embedded that it's hard to see how it can ever be changed. In fact, throughout the world, countries free of corruption tend to be the exception, not the norm.

Transparency International (T-I) publishes the widely respected world corruption index. More than two-thirds of the 159 nations surveyed scored less than five out of 10 on the index.

At the top end of the index, Iceland, Finland, New Zealand, Denmark, Singapore, Sweden, and Switzerland were viewed as the least corrupt nations, receiving a score of nine or higher.

The report noted that some of the high-income countries that rank among the least corrupt nations, such as Canada and Ireland, have shown a marked increase in corruption over time. (Canada dropped to #14 on the index, and Ireland to #19. The U.S. ranked #17.)

"Corruption is a major cause of poverty as well as a barrier to overcoming it," said T-I chairman Peter Eigen in a statement released with the index. He goes on to say, "The two scourges feed off each other, locking their populations in a cycle of misery. Corruption must be vigorously addressed if aid is to make a real difference in freeing people from poverty."

And David Nussbaum, T-I's Chief Executive Officer, states that, "Corruption isn't a natural disaster: it is the cold, calculated theft of opportunity from the men, women, and children who are least able to protect themselves."

Ladies and gentlemen, as passionate Canadians who love our country, there can be nothing more crucial to the integrity and prosperity of our country than to protect Canada from the proliferation and acceptance of corruption.

Okay, I know that very few would disagree, so why am I choosing now as the time to make this passionate appeal?

The reason is my deep concern about what I call the "values drift," both at the personal/family level, and at the business/government level.

Examples of this values drift are pervasive in our society: there is Internet porn, a never-ending series of even more destructive drugs and mono-cultural street gangs. We see the attack on personal/family values with the ever-increasing violence and immorality of television and films. And we despair of the Hollywood and sports stars with no moral compass who are idolized by our young. We see a media which all too often reinforces the adulation of the dysfunctional. Equally alarming, the media all too often is quick to tear down Canadians who have lived their lives as ethical role models. The latest example is Wayne Gretzky, who has clearly stated his innocence. Yet the media frenzy continued with absolutely no factual evidence to go on.

In business, we hear of ethical transgressions which lower confidence in the very free enterprise system crucial to our standard of living.

Government corruption rocks the confidence of Canadians in the whole democratic process.

With these worrying trends threatening to erode the very ethical foundation upon which Canada is built, why aren't more Canadians speaking out, and what can concerned Canadians do?

First, we need to remember that, whether it's our family, our business, our community, or our country, we get the behaviour we tolerate. We must stand up and be counted if we believe there are limits as to what should be shown on television, or tougher treatments of drug pushers and violent street criminals.

And when it comes to business and government, we need to prosecute wrongdoers expeditiously.

But the other side of getting the behaviour we tolerate is getting the behaviour we demonstrate. And this is where every parent, every business person, every politician and indeed every concerned Canadian has a role to play.

Just as my ethical values reflect those of my father and mother, we all know there is nothing more important than exemplifying good ethical values as parents.

And when it comes to business and government, there is an especially heavy responsibility that comes with leadership—the responsibility both to exemplify strong values and to demand ethical behaviour from those we lead.

It is the small and large business enterprises of the country that essentially creates all of our wealth both for personal expenditures and government programs. Therefore, confidence in Canadian business is vital. It's up to Canadian business leaders to act as role models of strong ethical values.

If confidence in the integrity of business is important, then confidence in the integrity of government is absolutely crucial. And on this front, recent events in federal politics have touched new lows.

We have witnessed the party that governed our country over most of its history, embroiled in behaviour that is comparable to that of countries at the bottom of the world corruption index.

And if that wasn't enough, the same party ran attack ads which took the Canadian political process to unprecedented lows in civility, respect, and honesty.

We saw an orchestrated attempt to impugn a Canadian political leader whose integrity is beyond reproach and a person who openly honours Christian values, but respects all religions. A person whose modest home, wife from small town Canada, two much-loved kids (and cats) place him solidly in the middle class mainstream of Canadian values.

We saw a governing party torn apart by dissention and corruption, a party which alienated the West and fanned the flames of separation in Quebec, actually base its election campaign on convincing Canadians that it best represented "Canadian values" and that it could best preserve national unity. Well, at least a plurality of Canadians saw through the charade.

This was also an election where the leaders of two national parties seemed to adopt as their principal definition of Canadian values "we're not American."

How sad. How counterproductive. Canada has so much to be proud of, and I for one, want the leaders of our country to champion the best of what we are, not what we are not.

And you'd better believe that this kind of irresponsible behaviour by a Canadian prime minister drives the kind of mindless behaviour described by Vancouver Sun sport reporter Pete McMartin:

"U.S. sucks! U.S. sucks!" That was the chant from the crowd at the world junior hockey championship in Vancouver last month. Had it been Canada playing the Americans that might have been barely tolerable. But the Canadians weren't on the ice. Instead, it was the United States playing Russia, and the crowd was cheering not for the Russians but against the United States. The chanters weren't so much interested in a hockey game as scoring points against America the country, not the team."

Recent comments by our classy and thoughtful former ambassador to the U.S., Frank McKenna, are revealing when it comes to how hard these gratuitous attacks make the job of dealing with our closest neighbour and the country that we depend upon for 85 per cent of our trade: "There was a tone at the top that I think created an environment where a lot of Canadians and Americans felt there were a huge number of fundamental problems."

In other words, leadership does matter…

But the election's over, and Canadians need to move one. I am absolutely confident that a Stephen Harper-led government will not only stem the leakage from the measurement glass of national moral values, but also raise the glass to the level Canadians should expect from elected representatives.

Some people would respond by questioning how this could be when one of his first acts was to appoint a floor-crosser to cabinet.

On this point, I believe that the moral glass is more than half full, rather than half empty.

First, floor crossing is a tradition, which has persisted throughout much of the history of our country. While always surrounded by political controversy, it has never been considered morally repugnant by mainstream Canadians.

Where was the moral outrage in the media when two of the people who had actually run for the leadership of the new Conservative Party crossed to the other side? In the case of Belinda Stronach's last minute pre-vote gambit, which won her a cabinet seat, it was Stephen Harper who was ridiculed in the media for "losing" Belinda, while Paul Martin was made out to be the great winner.

Now when the shoe is on the other foot, Stephen Harper is accused of losing his moral compass. How different is the view when seen through blue glass rather than red.

If Canadians want to reexamine parliamentary tradition to eliminate floor crossing, let's have that debate. But let's not characterize its occurrence as a great victory of leadership one time, and immoral the next.

The other glass-is-half-full part of the new cabinet is that Stephen Harper acted as a statesman. Rather than saying to Vancouver (and Montréal)—"You didn't elect any members—too bad you're out of the game," he reached out to bring them in.

And, I might say, he chose two fine Canadians to represent these cities. That, I believe, is the real story that political pundits and reporters are completely missing.

So let's put politics aside and come back to my main theme. How do we learn to preserve the best of the values, which have made Canada a great place to live?

We know that values drive choices, and choices drive behaviour, and behaviour drives results. So what Canadian values do we most want to preserve?

Well, we've seen that some of what people have called "Canadian values" are actually behaviours that divide Canadians.

The last federal election saw leadership behaviours and tactics designed to deliberately pit region against region and country against country. Too often we see religious and community leaders using language, which pits culture against culture. Many of us are guilty of using counterproductive labels, for example, "left wing versus right wing," as if they defined some universal kind of values. Canadian core values must honour freedom, including:

- Freedom of religion;
- Freedom of speech;
- Freedom of enterprise;
- Freedom of movement; and
- Freedom from discrimination.

This means that we must respect and honour our freedom to be different. But we must also strive to keep our differences from dividing us. We must all be Canadians first! This brings me to another "label" which needs to be better understood.

Canadians are justifiably proud of the rich and diverse ethnic and cultural backgrounds that have helped build our country. But we need to be careful that "multiculturalism" doesn't, in fact, become a value that divides, rather than a value that unites. This is a flashpoint topic in many western countries.

Recent riots in France and Australia are timely and troubling examples. It seems as if "multiculturalism" in these countries has created "sub cultures" bearing little relation to the mainstream culture and values of the country.

I quote from a recent article in "The Australian."

"Multiculturalism began and, until recently, was regarded by most Australians as a civilized concept to ease immigrants into their new environment.

"In Sydney it has been plain for at least a decade that, instead of ethnic communities living happily in the diversity of social pluralism, multiculturalism has bred ethnic ghettos characterized by high levels of unemployment, welfare dependency, welfare abuse, crime and violence.

"The social engineers responsible should have been well aware of the likely outcome, especially for young men.

"All the evidence from the numerous studies of similar ethnic ghettos in North America and Europe show they produce much the same result, whatever the colour or ethnicity of their inhabitants.

"Ghetto culture for young men everywhere is characterized by interpersonal violence, sexual irresponsibility, incomplete education, substandard speech, a hypersensitivity about being disrespected and a feckless attitude towards work.

"Multiracialism has been a success in contemporary Australia but multiculturalism has been an abject failure."

A very sobering analysis from Australia and one that residents of many Canadian cities will agree is not unique to the land down under. So how do Canadians celebrate our religious, ethnic and cultural diversity in such a way that it unites us around an over-arching Canadian identity? I believe that we must start by focusing on the core values, which led Canadians from so many countries to choose Canada to build their future.

I believe those include:

- Respect for all religious and ethnic origins;
- Respect for the laws of the land (and that also means rejecting attempts to use cultural background as an excuse for committing violence);
- Intolerance of corruption and dishonesty;
- Personal and economic freedom;
- Equality of opportunity (not outcome); and
- Pride in, and loyalty to, our country.

So, how do we rally Canadians around values that unite us?

Once again, it starts with the responsibility of leadership; leaders need to model the way, including:

- Cultural community leaders;
- Religious leaders;
- Business leaders; and
- Political leaders at all levels—mayors, premiers, and the Prime Minister.

I believe that individual Canadians must take responsibility for choosing leaders who live and model Canadian values that unite us. I believe that individual Canadians must reject those who try to gain popularity by using cultural differences as wedges, either to pry people apart, or as an excuse for violent crime or other behaviour which tears apart the fabric of our country.

I will close by going back to where I started, to the core value of freedom. Some time ago, one of our national publications asked several Canadians to finish the sentence: "I wish I had invented..."

Here was my reply. I wish I had invented freedom.

If I could have invented freedom, I would have decreed that all mankind would always be free:

- To elect those who govern us;
- To own what we earn;
- To practice our religion and culture;
- To own and enjoy property;
- To conduct free enterprise with our fellow human beings;
- To be responsible for ourselves;
- To choose who teaches our children;
- To travel where we want;
- To choose who, where and when the illnesses of our body are treated;
- To debate issues openly and honestly;
- To have a government for the people rather than for the power;
- And lastly, to have a government which limits our freedom only where necessary to ensure freedom from harm by the actions of other citizens, and the security of our country from the actions of those outside our country.

Long live Canada, glorious and free.

The appreciation of the meeting was expressed by Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada.

March 2, 2006

Mike Lazaridis

President and Co-CEO, Research In Motion Ltd.

THE IMPORTANCE OF BASIC RESEARCH

Chairman: **Rev. Dr. John S. Niles**
First Vice-President and President-Elect,
The Empire Club of Canada

Head Table Guests

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Jason Yeung, Grade 12 Student, North Toronto Collegiate Institute; Rev. Canon Philip Hobson, Incumbent, St. Martin-in-the Fields Anglican Church, Toronto; Allan Oberman, President and CEO, Novopharm Limited; Seema Esteves, President, Circul Technology; Professor David Johnston, President and Vice-Chancellor, University of Waterloo; Dr. Alastair Glass, Deputy Minister, Ministry of Research and Innovation, Province of Ontario; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; Ken Knox, President and CEO, Innovation Institute of Ontario; Mary Jo Haddad, President and CEO, The Hospital for Sick Children; and Bruce Rothney, Deputy Chairman, RBC Capital Markets.

Introduction by John Niles

Wherever there is ingenuity there is intrigue. It happened a number of years ago when a lawsuit was launched accusing one innovator of another's ideas and profiting from it.

The worst moment in an entrepreneur's, innovator's or inventor's life is when he is accused of taking another person's ideas. Such was the case with Alexander Graham Bell who was born 159 years ago tomorrow. He was accused by Antonio Meucci, a Florentine inventor, of taking his idea. The truth was Meucci had built something similar to Bell. Bell, however, had begun his work, put his invention together and later made adaptations, changes, improvements and innovations and filed a patent March seventh, 130 years ago next week. Bell was granted the right to produce and profit from the device that obviously changed the course of history and the land for communications. You know the rest of the story.

Parallels are clear. However, in the case of Meucci, when he launched the suit he lost mainly because he died. I don't think there is anyone hoping that someone will die at NTP.

Mr. Lazaridis is here today to speak to us and his topic is entitled "The Importance of Basic Research." He certainly appreciates the opportunity to speak on a subject that is close to his heart. Research and innovation are buzzwords today. In February of 2002, the federal government launched its research and innovation strategy culminating in a national seminar on innovation and learning in November of 2002, which recognized the need to strengthen our science and research capabilities.

In Ontario the Ontario Research and Development Challenge Fund and the Ontario Innovation Trust were in the late nineties evolved into a newly formed and created Ministry of Research and Innovation whose Minister is no less than the person of Premier McGuinty, whose Deputy Minister, Dr. Glass, is at our head table today.

The bottom line is that there is an extensive public debate about what Canada has to do to foster and stimulate research and innovation. Mr. Lazaridis, however, has gone one step better than most experts. He has actually funded and participated in the start up of a research organization, the Perimeter Institute of Theoretical Physics, which was funded in October of 2000 with a $100-million endowment. It shows the fine hand of an executive whose company created and marketed and popularized the BlackBerry.

Michael Laziridis was born in 1961 in Turkey, moved to Canada in 1966, and received his education in electrical engineering and computer science at the University of Waterloo of which he is now chancellor.

He founded Research in Motion Limited in 1984, which developed the well-known BlackBerry, a wireless handheld communication device which has, like Bell, changed the course of communication on this planet with sales ranging to $1.5 billion with 3,500 employees. In addition to funding the Perimeter Institute of Theoretical Physics with a $100-million endowment, Mr. Lazaridis and his family in April of 2004 and May of 2005 made donations totalling $50 million to the Institute for Quantum Computing at the University of Waterloo.

Mr. Lazaridis was named Canada's "Nation Builder of the Year" in 2002 by the readers of the Globe and Mail newspaper and was made an Officer of the Order of Canada this year.

Please join me in welcoming Michael Lazaridis, President and Co-Chief Executive Officer of Research in Motion, to our podium.

Mike Lazaridis

Dr. Niles, thank you for that kind intro and to the RBC Financial Group for sponsoring today's luncheon and for the opportunity to address the Empire Club this afternoon.

One of the things that just happened that I don't want to get forgotten was that we were asked not to clap for the people you introduced until the end, but when a student was introduced we all clapped and it was instinctive and that's very important. I think that one of those things that we need to remember and nurture is how important our students of the future are and how important we consider their education. That is why I've become a champion for education and the basic research that drives education in this country and around the world.

I find myself in a strange situation because every day I wake up and find myself in a surreal environment. On the one hand I've got this great family. I've got an amazing spouse and accomplished children. I am surrounded every day by some of the brightest people in the world and I lead an organization that is driving a market segment that is revolutionizing the way people communicate.

A lot of business people find themselves in this position and we take it for granted. We find ourselves in positions where leadership is something that we do every day without thinking about it. We find ourselves in a position where the challenges of the day provide a constant stress in our lives and we take it all for granted. We consider it normal. We see these challenges every day. We see competition whether real or imagined because we are creative. We want to succeed. We are competitive and stress drives us. It drives us to excel. It drives us to accomplish, but most importantly it drives us to make decisions and stick by them and invest in them and make sure that they are the right decisions and that they are well-funded and that we see them to the end.

That's very important because I'm not sure if that is the general situation out there and there are days when I wake up and I wonder why I am doing this. Why am I working so hard? Why am I involved in so many things that I care about? Why do I allow it to intrude on my personal life? Why is it so important to me? Why would I put my family through what it goes through every day? Because it is absolutely the right thing to do and what's interesting about this is that that stress, that challenge, the sense of competition is something that is very real and it drives us to greatness. It drives us to exceed our ordinary bounds. It drives us to extend beyond our fears and our belief of our boundaries and discover new areas and unchartered territory and invest in those things and drive success and accomplishment for ourselves, our family, our employees, our shareholders and the world.

Now why is this important?

I've spent a little bit of time studying this and what I've discovered, and I'm sure this is not news to anybody, is that mankind really has this ability under stress to exceed its own limitations. If you look through history at great historical events that have produced crises, that have produced global conflict, you find that they have driven us to solve unimaginable technical and scientific problems and industrial problems and increased productivity to unheard of levels. After the conflict is gone, there is this momentum that's created and that momentum carries through to industrial progress. It carries through to a newfound appreciation for science, both basic and applied, for engineering and industrial capability and infrastructure building.

Now what I believe and something that I'm trying to understand is why we don't carry through what we learned into times of peace. Why don't we as a country work that hard in times of prosperity and peace?

Imagine what we could accomplish if we take that and make it our culture. That we are always going to excel. We are always going to operate as if we are under stress. If we are not under stress, we are going to create our own stress through the belief that we can accomplish great things if we work together and we invest.

Now the other thing that I've realized when I look back at my history with the privilege of 20/20 hindsight, is that there were certain things that were pinnacle moments and certain things and institutions that contributed to my abilities and to the way I see the world today and led to the ability to build the kind of company and products that we have today.

Twenty-five years ago I went to the University of Waterloo. I didn't know what to expect. I arrived there like everyone else—a Frosh—and immediately was immersed in a different world. And in this world of stress and competition I had to learn to use the tools to accomplish what I needed to accomplish. Some of those tools were mathematics, experimental procedures and techniques, the scientific method, language and creativity.

There were other tools that I just took for granted like e-mail. How many of you knew about e-mail in 1980? Those of you who were in school probably experienced it. Of course, that e-mail was running on something called Arpanet, the beginnings of the Internet, but it was a research tool. It was used by physicists, by the Defence

Department and by universities to communicate and collaborate and send and receive information. I took the e-mail system, I took the documentation, I read it, I learned how to use it and I discovered it was a very useful tool. But I didn't take it any further than that at the time. It was a tool that I took for granted.

But along with that I was also exposed to something called computer networking. From 1980 to 1985 computer networking was a research project. E-mail was a research project and in high school I worked with wireless communications, also a research project. Wireless data was one of the last things I remember when I was in high school because to become a ham radio operator at the time you had to learn Morse code. What I discovered was you didn't need to pass the Morse code test if you built a wireless data communication system instead of a voice communication system.

When I started Research in Motion as a small company, one of the things I took with me was the e-mail. I put e-mail on my business card. When I gave my business card to other business people, they would want to know what e-mail was. This was 1984. What was e-mail? They were perfectly right in not knowing what it was. It was a research project. It was a university thing. Little did anyone know the kind of impact it would have a decade and two decades later. But I remember putting it on my card and taking great pride in that I had something special, some special information, something new, something no one else understood the relevance of or the importance of. The more people asked me, "Hey what is e-mail?" the more I realized how important it was.

What I noticed on their business cards at the time was something called a telex number. How many of you remember what a telex number is? I knew what a telex number was because I built a telex machine in high school as part of the wireless data communications I was working on.

But years later, a decade later in fact, we both converged on something called a fax number. And that was something that we had in common. Quite frankly, it wasn't until 15 to 20 years later that I started to see e-mail addresses appearing on my colleagues' business cards, and I started to notice e-mail being used more and more in North America.

That's important. What was a research project was taken for granted by the students going through university. It was just something they had to learn, another tool like the lab equipment they had to figure out how to use. That technology, that experience, what was happening in the university was quite unique and was setting the groundwork for something that was going to revolutionize industry and quite frankly the world 10, 15, 20 years later.

What's interesting though was that if you were to ask business people, if you were to ask futurists, if you were to ask analysts, and if you were to ask governments what we should be investing in at universities, what was important, what should we be commercializing, I'm not sure e-mail or networking would've come up. It took students and researchers who were exposed to that technology and the venture capitalists who believed in them when they left university and either started working for large organizations or started their own organizations to commercialize that information.

Looking back, I know the importance of the university environment and quite frankly the University of Waterloo in my success and the company's success because one of the things I learned very quickly was to mine the product of that university. The raw material. Those students and the research.

One of the things we pride ourselves at Research in Motion is our ability to recruit the finest talent we can find. But we don't stop there. We make sure that we provide them with the finest equipment, the biggest best labs we can afford, the best development technology, and the best training and continuous training, that we can afford, to make sure that not only are they able to continue the research that they were doing in university, not only are they able to perfect their techniques and technology, they are going to produce the breakthroughs and have produced the breakthroughs at RIM. That we continue to promote the ability to think creatively and to have continuous dialogue with the scientific and research community they are a part of is something that is very important.

What can we learn from this? Well I don't think it's news to any of us in this room that universities are important, but have we sat down to think about it and do we talk enough about the crucial importance of universities and university education and students in the success of business, industry, governments, institutions? This is something that's very important because sometimes we lose sight of the importance of it because it works so well. The university system in Canada is working extremely well. Could it work better? Yes. Could it accomplish more? Absolutely. Could we graduate more graduate students or masters-level students in the sciences and engineering, in business, commerce? Absolutely. Are they capable of doing it? Well that's something that we need to look into because right now they aren't.

It is often observed that Canada was born of a noble vision and an active will. I think Canada needs to be reborn with a fresh noble vision and a renewed commitment to the acts of will needed to make it so. Well what should that vision be?

Many parts of this vision have already been agreed to. I think none of us would argue with the need for an open, caring, welcoming, democratic society that does its best to provide opportunity for all and protection for all. I think that it is surprising and, quite frankly, encouraging how little fundamental debate there is in this area. And that is great because that produces the groundwork that we can build on and that's something as Canadians we can take great pride in.

But we're entering an interesting time of paradox. We're entering another era of great prosperity. Based on the recent rebound in commodity prices and the acknowledgement of Canada as an oil nation, we are entering an unprecedented opportunity for progress and for prosperity. This means that unlike nations lacking natural resources Canada will have both the money to invest and the temptation to put off decisions that others have already made. So we will have the necessary funds to make investments and bets on our future but at the same time prosperity will tempt us to put off making those decisions.

Now I also believe that all of us understand what's happening around the world. Very large nations have discovered the importance of educating their people and investing in their universities and in their research. And also investing in the infrastructure that drives commercialization. That's reality. I think that that's something that we need to constantly keep in our minds. It is something that needs to be put into the constant tension of what decisions need to be made going forward and how we plan for the future.

President Bush is the most recent convert proposing the training of 100,000 new math and science teachers by 2015 and promising to double R and D in the physical sciences over 10 years. That's quite a goal and it is going to have a huge impact and it's something we need to consider as we plan what to do with our prosperity over the next decade and the decades to come after that because our oil and resources can only carry us so far. What are we going to do after they have run out? What happens if there's a major breakthrough and we are no longer as dependent on oil as we have been in the past? What will we do? Will we have made the wise research investments, the wise industrial investments, the wise infrastructure investments to prepare Canada for a world without oil?

I don't think anyone in this room would argue with the fact that our most valuable renewable natural resource is our educated public. And that's something that we need to keep in mind and we can't skimp on it. We need to be generous in educating our public and providing them the finest institutions and the best opportunities to educate themselves, to provide skills for their future and to become productive contributors to our society and industrial growth. But we have to understand the source of that education, the source of that creativity—innovation.

Vannevar Bush, one of the great engineers of the 20th century, said: "Science has a simple faith which transcends utility. It is the faith that it is the privilege of man to learn to understand and that this is his mission. If we abandon that mission under stress we shall abandon it forever for stress will not cease. Knowledge for the sake of understanding not merely to prevail; that is the essence of our being."

So what are the specific acts of will? What are they? Clearly, we absolutely need to continue our investment and increase our investment in basic research and the research that is done at our universities. That's very important because that gives us a dual benefit; the dual benefit of knowledge creation and training. This is important because it isn't just the knowledge creation that creates future wealth. It's the students and researchers who graduate, who go off into industry, who start their own companies with that talent, with that information and with that connection to that research community who are going to commercialize that information. Those are the two things we need to keep in mind. Knowledge creation without creating students is something that is very inefficient. On the other hand, if that knowledge creation is creating and training students and inspiring students then you are leveraging a very powerful source.

Now in this regard, we have been well served by the investments that Canadians have made over the past decade. We really are setting ourselves up to succeed but we can't stop. We can't look back and say: "Done that. Been there. What's new?" We need to realize that we are in a global competition. We need to realize that we need to continue this investment and it has to be an inspired investment and it has to be very carefully measured, very carefully targeted to have impact over the decades to come, because today there is a tremendous opportunity for coherent strategic national leadership to take Canada to the next level. This is quite a challenge. I think it's something that Canada can do.

There are difficult decisions to be made. For example, as I mentioned before, we need more engineers, scientists and business people graduating with advanced degrees, both masters and PhDs, and we need to make sure that our institutions are prepared to produce those graduates.

Now here's the leadership part. It is easy to come up with short-term strategies or what I call tactics. It is also easy in a hypothetical way to come up with long-term strategies. But the responsibility of government and leadership is to start making the investments necessary in those long-term strategies, because those long-term strategies are believed to not produce votes. Those long-term strategies are things that I believe Canadians relate to.

My family came to Canada. It took an act of will and preparation to come here and to build a family and to build an opportunity. My parents believed that their children should have a better life. This is no different from the countless immigrants who have come to this country. This is very important. I think it's in our fibre to invest in our future and invest in our children. This is a Canadian fundamental. I don't think anyone would be surprised by us telling them that we need to invest in the future, we need to invest in education and we need to invest in our people. The tricky part, this is the part of leadership, is the act of will to actually do it and do it strategically because we can't do everything. We are not that big. We have to be very careful. We have to be prepared to make investments in some things that we believe make sense and we have to be prepared to say no to things that we do not believe strong enough to have impact.

Most importantly, we need to understand what I call the virtuous cycle, because this is the part that is so simple, quite frankly, to talk about but it is difficult to understand how comprehensive it is. It is a very simple virtuous cycle. Why do we need to invest in the finest research? Because it will attract the best researchers. That's what they live for. I know. I talk to them all the time. They want to go where they are valued and where they can get the funds to accomplish their research. It is very important to them. But why is it important to attract the best researchers? Because those researchers will attract the best students. Those students are the commercialization machine. They are the most efficient commercialization machine ever created. They will take that information, they will take that inspiration, they will take that knowledge and in some cases along with their researchers and they will leaven industry, government, all of Canada. That leavening will create wealth and that wealth will provide the funds we need and the resources we need to invest back in that research and that's the cycle. I believe in that cycle and I have done it myself.

Why did I start the Perimeter Institute for Theoretical Physics? Because I believe in the fundamental advantage that theoretical physics provides mankind and I believe that we need those breakthroughs, that understanding that we talked about before. Why did I put it at the University of Waterloo? Because the University of Waterloo has proven that it has great student achievement. In fact, it has the largest math faculty in North America. It has the finest co-op education. That's what you need for physics. You need math and you need the ability to get those students in industry to really capitalize on that investment. What we need now is to match our research capability at that university with student achievement. Student achievement that has put us number one several times in things like the Putner Math exam that is put on by MIT and the ACM Computing Corporation competition and our achievements in solar cars and other projects that we excel in and compete in around the world.

Our new specialty is quantum informatics—a new field in both math and theoretical physics—with initial commercialization results that may not appear for 10 or 20 years but there is hope that they can produce results even sooner. Why is that important? Because those of us in this field know that Moore's Law is going to end within the next 10 to 20 years. In fact Intel scientists have said this and it's on their Web site. What we've done is we've built a solid base between the Perimeter Institute and the Institute of Quantum Computing at the University of Waterloo to make sure that we have the foundation to prepare for the future, and invest in that research. It's a great start but we need to continue investing in it and it's something that I know is going to take us a long way.

So in conclusion, if we are truly interested in investing in the future it is going to take acts of will, it is going to take leadership, it is going to take leadership to say yes to some things and invest in them generously and no to other things and realize that we can't be all things to all people. We can't be great at all things but we do know as a nation that we can be great at some things and those are areas that we need to make sure we are investing in.

Secondly, our most powerful renewable resource in this country is our educated public and our students. It is that virtuous cycle of research that is happening at our universities and that incredibly powerful commercialization engine—the students we graduate and the researchers—that is going to leaven the industry of the future.

And finally, what happens at universities, the research that is going on there, is going to be relevant in decades to come. It is not necessarily going to be recognizable to us as relevant today and in fact if we try and choose today we will probably make a mistake.

When future generations look back and examine how we chose to allocate our current bounty, let them find that we chose wisely. Thank you.

The appreciation of the meeting was expressed by Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada.

March 9, 2006

Robert Rabinovitch

President and CEO, CBC/Radio-Canada

THE FUTURE OF CANADA'S PUBLIC BROADCASTER

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Effie Triantafilopoulos, Executive Director, Canadian Corporate Counsel Association, and Director, The Empire Club of Canada; Alex Miglin, Grade 12 Student, North Toronto Collegiate Institute; Grant Kerr, Pastoral Staff, St. Paul's United Church, Brampton; Stan Meissner, Songwriter and President, Songwriters Association of Canada, and Treasurer, SOCAN Board of Directors; Charles Cutts, President and CEO, The Corporation of Massey Hall and Roy Thomson Hall; Bart J. Mindszenthy, APR, Fellow CPRS, Partner, Mindszenthy & Roberts Corp., and Immediate Past President, The Empire Club of Canada; Laszlo Barna, President and CEO, Barna-Alper Productions; and Veronica Brenner, Silver Medalist, Aerial Skiing, Salt Lake City.

Introduction by William Whittaker

Marilyn Monroe, the American icon of the 1950s, when asked in a Time Magazine interview if she really had nothing on in her famous calendar photograph replied, "I had the radio on." So too did many Canadians of that day and today—CBC radio that is. We all remember such CBC radio personalities as Max Ferguson, Peter Gzowski, Barbara Frum, Clyde Gilmour and the still present Lister Sinclair. My personal experience is that, while I do not consider myself culturally deprived, I know the call letters of only one Toronto radio station, CBC 740 AM now of course 99.1 FM.

CBC TV also has had its well known personalities—Elaine Grand, Percy Saltzman and Dick MacDougall in the 1950s; Don Messer, Tommy Common and Juliette in the '60s, Tommy Hunter in the '70s and '80s and throughout Knowlton Nash who begat Peter Mansbridge and, of course, Johnny Wayne and Frank Shuster.

The CBC, known as Mother to its employees and critics or as the Corpse in Frank Magazine and latterly as BBC Canada during last year's labour disruption due to the large amount of British content aired in place of its original schedule, has had a unique and important role in Canada's cultural life.

The Canadian Broadcasting Corporation is the oldest broadcasting service in Canada, first established in 1932. For the next few decades, the CBC was responsible for all broadcasting innovation in Canada, introducing FM radio in 1946 and television in 1952. Network telecasting commenced in 1958 with full colour TV service being achieved in 1974. In 1978, CBC became the first broadcaster in the world to use an orbiting satellite for television service, linking Canada from east to west to north. Today, the CBC operates several radio, terrestrial television and cable television networks in both English and French, as well as a number of Aboriginal languages in the North.

Many Canadians believe the CBC acts as a necessary counterbalance to what they perceive to be the bias of private networks and that it preserves Canadian culture against the homogenizing influence of rebroadcast American programming. Canadians continue to poll in favour of maintaining public funding for the CBC.

Unlike the British Broadcasting Corporation, whose principal means of funding is from consumers being required to buy television licences, the CBC receives the majority of its funding directly from the Canadian government. This of course results in much political comment and controversy during the process of determining its grant. However, the bottom line is that public funding of broadcasting is widely accepted in both the United Kingdom and Canada.

Contrast this with the situation in the United States where the Public Broadcasting Service, PBS, and its radio-counterpart, National Public Radio, raise most of their revenues from donations by individual viewers and listeners. In 2005, the U.S. government contributed only $370 million to public broadcasting, not the significant public funds received by the BBC and the CBC. Newton Minnow, the 1960's Chair of the United States's Federal Communications Commission, is remembered for his quotation, "American TV is a vast wasteland." Many contemporary critics maintain that is still the situation today.

I am embarrassed to admit but the last CBC president to address our club was Gerard Veilleux 15 years ago so we are more than pleased to welcome Mr. Rabinovitch to our podium today.

Robert Rabinovitch, a graduate of McGill University and the University of Pennsylvania, was reappointed to a three-year term as President and CEO of CBC/Radio Canada in November 2004. He was first appointed in November 1999.

Immediately prior to his CBC appointment, Mr. Rabinovitch was Executive Vice-President and Chief Operating Officer of Claridge Inc., which he joined in 1987.

From 1968 to 1986, Mr. Rabinovitch held various positions with the federal government. More specifically, he was Under Secretary of State from January 1985 to September 1986 and Deputy Minister of Communications from 1980 to 1985.

Mr. Rabinovitch has also been active in cultural and philanthropic endeavours, including the Canadian Executive Service Organization (CESO), the CRB Foundation, the Samuel and Saidye Bronfman Family Foundation and the Canadian Film Centre. He was Chairman of the Executive Committee of the Canadian Jewish Congress (Quebec), until his appointment to the CBC.

Mr. Rabinovitch has been a member of the Board of Governors of McGill University since January 1997 and was Chair from 1999 until 2005. He is also a member of the Advisory Board of the Sauve Scholars Foundation (McGill University) and of the Nunavut Trust Investment Advisory Committee.

Please join me in welcoming Robert Rabinovitch, President of the Canadian Broadcasting Corporation to our podium today.

Robert Rabinovitch

I have been President and CEO of CBC/Radio-Canada for six years now and one of the things I've discovered is that Canadians are not shy about sharing their opinions about CBC—good or bad.

They tell me when they don't like the way we've covered a particular news story. They tell me about a documentary that moved them, a program that made them laugh, or how they wake up every morning with one of our radio hosts and go to bed every night after Peter Mansbridge or Bernard Derome have put the day's events into context.

Those conversations are the fun ones. But I also have more troubling conversations—though perhaps more important—about the future of CBC.

Some argue that CBC's best days are behind it; that in a multi-channel, multi-media universe where you can access any and all kinds of content we no longer need a public broadcaster.

I firmly believe that is not the case.

I'm here to tell you that while CBC has a proud past, the future of public broadcasting is just as exciting.

You may have read recently that our new heritage minister feels the time might be ripe for a review of CBC's mandate. I think that is a good thing. We welcome all discussion of the role and place of the national public broadcaster.

In fact, we will have an excellent opportunity to talk about those very things toward the end of this year when we appear before the CRTC to apply for the renewal of all our broadcast licenses from 2007 to 2014. As we prepare for the next seven years we have to ask ourselves what is the role of the public broadcaster in the Canada of 2014? What are society's challenges and how can we address them? What do we need to do to ensure that in 2014 Canadians still have a voice on their public airwaves and that Canadians are saying of the CBC in 2014 that it is the undisputed champion of compelling Canadian programming in all its forms and on all its services. The undisputed champion of compelling Canadian programming is what we should be. That is our goal; that is our vision.

So, what is the CBC today? In response to the public's desire for specialized services, we are delivering a wider range of programs in more ways:

- Ten radio or audio services;
- Seven television networks delivered over the air, on cable, on satellite, on line, on demand and by wireless;
- Two full-service Web sites, and several specialized ones.

We are also a content provider. We produce, acquire and broadcast everything from news and current affairs, to drama, music, children's, sports and the performing arts programming. And we now have the flexibility to show programs when you, the public, want to see them. The news show, The National, for instance is on at 9, 10, 11 and midnight each night.

How does that make CBC/Radio-Canada unique from other media companies?

Private broadcasters are compelled to attract the largest possible audiences in order to drive advertising dollars and hence profit. A public broadcaster must treat its audiences as citizens and its programming as a public service.

In the last six years we've invested considerable effort in making CBC even more of a public-service broadcaster. We've had some wonderful successes:

- Our English and French radio services continue to have the largest audiences in the country because we have the best programmers and most distinct, unique programming. It takes about three seconds of listening to know when you are tuned to Radio One or La Première Chaîne versus a private station.
- La Radio de Radio-Canada is riding high on the successful launch of Espace Musique, our response to the lack of musical diversity on the airwaves.
- Three years ago Télévision de Radio-Canada launched a repositioning exercise. With the objective of producing more audacious, engaging,

challenging programming, Radio-Canada has produced much-talked-about programs like Les Bougon, and Tout le monde en parle. And the public has embraced the network's efforts.

- CBC.ca and Radio-Canada.ca remain among the country's top news and information Web sites and are places Canadians turn to for breaking news. They are also places Canadians go to download some of their favourite programs for listening on their iPods or MP3 players.

But we need to do more. If our radio services are to retain their position, their programming must change to reflect the evolving needs and interest of Canadians.

That means Radio Two must preserve its valued past while also expanding its scope to give voice to more Canadian talent. It must reach out beyond its current comfort zone. CBC Radio's success will be defined by the positive and measurable impact it has on the creative community across Canada.

Our radio services, French and English, must look at new technologies like podcasting and satellite radio. By partnering with SIRIUS to launch a Canadian service, we have not only launched six new CBC/Radio-Canada channels, but we've also expanded the reach of our radio services to new audiences across North America. We have created a North American market for Canadian talent and ideas.

Radio, as a fundamentally local service, must also adapt to shifts in population. For example, Hamilton, just 60 kilometres down the QEW from here, has a population of approximately 500,000. It receives no local programming, only the Toronto signal, and so does Kitchener/Waterloo, and what about Saskatoon? Our current broadcast footprint was conceived in the early 1970s. Today there are six million Canadians, who do not receive appropriate local programming from Radio One.

So we constantly have to ask what's next? What do Canadians want from us tomorrow? Next week?

On the operational front, we must also ask what more can we do to operate more efficiently and to be more effective? How can we generate savings and revenues that can be invested in programming?

In the last few years, through efficient management of our resources, we've freed up $102 million in one-time savings, as well as initiatives that are generating $65 million in annual ongoing savings and revenues. Funding is one of the central hurdles facing CBC and these efforts to improve efficiency have been critical to our ability to achieve the programming successes I described above.

But it's not enough. You should know that:

- In 1985, our parliamentary appropriation, that is the money we get from the government, was worth approximately $1.3 billion in today's dollars. Today, our government operating funding is worth approximately $335 million less—just less than $1 billion.
- Some of the money we do receive from government is not permanent. It is difficult to create new programs when you don't know if the funding will be available.
- Except for salary increases, it has been more than 30 years since we have received a permanent increase in our operating appropriation.
- So, we have grown in the number of services we provide while our funding has decreased. We are dying the death of a thousand cuts.

We're not just crying the blues either. A recent study of public broadcasting systems in 26 OECD countries found that when you consider funding in terms of a percentage of GDP, Canada placed 22nd out of 26 countries surveyed.

Countries like Denmark, Finland, Norway and the U.K. all had public-funding expenditures that were three to four times greater than what is spent in Canada.

Held up as the gold standard of public broadcasting, the BBC receives approximately $7.3 billion in public funding, broadcasts primarily in English, and doesn't span six time zones. That is approximately $122 per person.

For less than $1 billion in government money Canadians get 26 national and international services in English, French and eight Aboriginal languages in the North. And for that each Canadian pays annually about $30. Compare that value to satellite radio at $160 per year, your cable fee or even the $11 you pay around the corner for a single movie.

Efficiency and adequate funding are necessary conditions for success but they are not sufficient. We also need to change how we think about our audiences, our programming and how we develop, commission and broadcast programs.

We need to be leaner, to have shorter lines of decision making and to remove the bureaucracy that inhibits creativity. We need to open ourselves up to the broader creative community of Canada. We employ some of the best, most innovative broadcast artists in the world and they would tell you that we are too insular, too satisfied and too slow moving. Why does it take months to accept or reject a program? We must create a better environment for ourselves and for our partners in the independent production industry.

In short, whether because of uncertain funding, cumbersome management decision-making structures or the rules of a work force that is 90-per-cent unionized—the BBC is 42-per-cent unionized—we are not as creative an organization as we need to be. We must become more nimble.

Having said this, I believe, while not without challenges, most of our services are well positioned for an exciting future.

Let's now look at CBC English Television. You'll note that when I listed some of our successes I didn't mention

CBC Television. While the network is not without its success stories, it is the one piece of the public broadcasting puzzle that needs most consideration.

First some facts:

It is my belief that public broadcasting varies from country to country based on the needs or failings of each broadcast system.

English Television receives a little more than a quarter of the corporation's total government funding. The rest of its budget, more than 50 per cent, is derived from commercial operations—advertising, subscription fees and program sales. How can you call yourself a public broadcaster when over 50 per cent of your budget comes from competing with the private sector? The reality is that CBC Television is only partly a public broadcaster.

Don't get me wrong, CBC Television's news, documentary, public affairs, kids, arts and sports programming are second to none.

But the network is faced with a significant challenge. And that challenge is also one of the greatest cultural challenges we have as a country.

If you look at the arts and culture sector in English Canada you'll see that overall, it is healthy, if not thriving.

Just this week a Canadian director/producer won the Best Film Oscar and of the two highest grossing films in the charts, one, Brokeback Mountain, was made in Canada by Canadian crews and the other, The Pink Panther, was written in Montreal by Len Blum. Our filmmakers, authors, artists, dancers, documentary producers, and musicians are enjoying success not just at home but abroad.

But there's something missing and that something is drama: televised English-language drama. And that is where CBC Television comes in. That must be its role in Canadian broadcasting.

What we are talking about are dramatic series, comedy and entertainment programming; shows that are not only produced in Canada, but made for Canadians and reflecting their unique sensibility.

Despite the growth of new mediums, despite new technologies, despite the fragmentation of audiences, television remains the most pervasive mass medium in the western world. It is the principal disseminator of culture in society and a powerful vehicle for sharing identity.

Yet we haven't made the breakthrough in televised drama that we have in other sectors like music, film and literature.

If we look back almost two decades to Europe and Australia we see that people there were watching very little homegrown programming—programming that spoke to them, their reality, that reflected their countries and their interests. Like Canada today, they were dominated by foreign programming, primarily from the U.S.

That has now changed. If you look at Europe, at the U.K. or Australia today, their prime-time schedules are dominated by domestic programming.

How did it happen? Broadcasters, governments, the independent production community focused their efforts on making domestic dramas that resonate with their audiences, that tell their stories.

CBC Television should be taking risks and producing programs that innovate—Canadian equivalents to "The Office" from the U.K. or "Six Feet Under" and "Lost" from next door.

Sure, there have been great Canadian success stories—"Corner Gas," "DaVinci's Inquest," and "Shattered City"—but not on the scale of the programs I just mentioned. Why can't the public broadcaster consistently broadcast quality Canadian programs that draw a million or more viewers? Our entertainment programming should be the place where big risks are expected, where failure is occasional and where success is extravagant.

In a world where audience interests and needs evolve rapidly and where programs change more quickly, you have to be adaptable. While we cannot afford to do dozens of pilot programs to choose only one, as they do in the U.S., we also cannot afford to simply leave a program on air because we've already produced it. If a program is not working, we have to admit that and try something new. Not when the program ends its run. Now!

Audiences will not continue to watch or listen to a program simply because we have it on air, nor will they wait forever for us to come up with something better. The simple truth is that if we're not relevant, Canadians don't need us. We must be more in tune with our audiences. Enough telling people what they should be watching.

But CBC cannot solve the drama problem by itself. What we need is a critical mass of Canadian-made drama. It is not enough to make one or two good shows; we need to rehabilitate the entire genre. If it's made accessible to Canadians in sufficient quantity and of a high enough quality and shown at times when people are actually watching TV, Canadian drama will attract audiences.

To do this we need the political will to proceed and the perseverance to succeed.

Repatriating our prime-time television dramatic programming may look impossible when you learn that last year nine of the top-10 programs in Canada were American. But every other developed nation has done it and we have done it as well. Let me tell you a quick story:

In August 2002, I appointed Daniel Gourd Acting Executive Vice-President of French Television. At the time, the network had seen a decade of declining viewership, the competition was producing increasingly high-quality, prime-time drama, and people were questioning Radio-Canada's relevance and utility.

Morale was low and there was a sense of defeatism, a sense we couldn't do anything right. French Television was in crisis, in a downward spiral.

Daniel did some basic things: He made a few hard-nosed, difficult decisions that were unpopular at the time and reduced non-programming budgets and cancelled some failing but iconic series. This freed up enough financing to allow a significant investment in new programming. He set out a few clear attributes for new programming—daring, broad appeal, passion. Then he stuck to them, he took big risks and he launched successive seasons of new dramatic and entertainment programming.

What happened? Some of those new shows failed and were quickly taken off the air. Others are still being watched by close to two million viewers a week in a market of just seven million. Over three years, our prime-time audience share has moved from 16.5 to 22 per cent. Ratings are up, revenues are up, creativity is way up. In the same period the network increased its current affairs programming. Instead of attacking us for being irrelevant, our detractors now attack us for being too popular.

Ladies and gentlemen, it can be done. We can do it. We have done it.

To do it in English Canada, though, requires a commitment. We made some very difficult decisions at our French network in order to free up funding to invest in new programming. As you have seen in the last couple of weeks, we will do the same thing at CBC Television. But the investment required to provide Canadians with the kind and quality of programming they expect from CBC Television is simply too great to be found through internal savings alone.

It is time we asked the question: Do we want public television in Canada? Do we want Canadian programming in Canada? If the answer is yes, then we have to come up with funding solutions that work; solutions that allow us to respond to the realities of today's broadcasting universe.

CBC Television needs a new funding formula that recognizes not just its unique circumstances, but also its unique role.

I am a realist about the future. I don't really expect government to decide tomorrow to make good our commercial revenue plus top up our annual appropriation so that we can attack the challenge of television drama. But we need to reverse the trend toward more and more dependence on commercial revenue and we need to implement a concerted plan to take on our most pressing cultural challenge.

In return, if properly resourced, we can make CBC Television the cornerstone of Canadian dramatic programming, just like the public broadcasters in Britain, France, Germany, Italy, Australia and New Zealand.

As I stated off the top, I firmly believe that CBC/Radio-Canada is as vitally important today as it was when it was first conceived 70 years ago.

As we look forward to 2014, it is clear that there are a number of things we need to do—across all of our services—to succeed:

- We need to ensure that all significant centres in Canada have access to CBC local radio programming; there are six million Canadians who are underserved today.
- We need to become more courageous and to take more risks.
- We need to break down the structure that slows down program decision making, limits our access to the best talent available and limits our ability to innovate.
- We need to successfully adapt our programming to new, emerging technologies as we did in presenting the Olympics on cell phones and video on demand.
- And we need to create a sustainable domestic dramatic television tradition that you literally rush home to see—or to put it in a 2014 context, that you wouldn't dream of not programming your cell phone to download.

Technologies are making the world smaller and choice of foreign content is multiplying and will continue to multiply. These are arguments for, not against, a strong, vibrant national public broadcaster.

We need to carve out a little public space in these new and existing media for Canadian programming—be it on radio, TV or the new, exciting, emerging technologies. A place where CBC can champion compelling Canadian content, where Canadians can see and hear themselves and their stories.

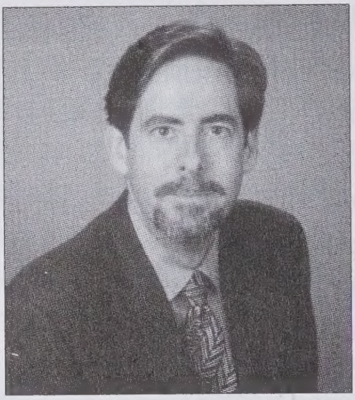
So that is what we are working towards. The future is not without its hurdles, but it is an exciting one and one that is worth doing.

With your help, we look forward to renewing and reinvigorating an institution that should be as important to our future as it has been to our past.

Thank you.

The appreciation of the meeting was expressed by Bart J. Mindszenthy, APR, Fellow CPRS, Partner, Mindszenthy & Roberts Corp., and Immediate Past President, The Empire Club of Canada.

Robert Rabinovitch, President and CEO, CBC/Radio Canada, Bart J. Mindszenthy, APR, Fellow CPRS, Partner, Mindszenthy & Roberts Corp., and Immediate Past President, The Empire Club of Canada, and The Hon. Barnett Danson, PC, OC, Consultant, Former Defence Minister, and Honorary Director, The Empire Club of Canada.



March 16, 2006

David Flewelling

President, Canadian Automobile Association

OUR SILENT NATIONAL CRISIS: CANADA'S HIGHWAYS AT THE CROSSROADS

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Leo Papageorge, Grade 12 Student, North Toronto Collegiate Institute; Rev. Bill Middleton, Armour Heights Presbyterian Church; J. Crawford Reid, Director, CAA National Board; David Kingsland, President, Newland Group; Deputy Chief Kim Derry, Toronto Police Service; Rev. Dr. John Niles, MSM, Rector, St. Andrew's United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada; William E. Stow, Chair, CAA National Board; Ken Ogilvy, Executive Director, Pollution Probe; and Jim Sprott, Director, Relationship Management, Affinity Markets, Manulife Financial.

Introduction by William Whittaker

Automobiles and highways have been part of our North American folklore almost from the time the automobile first came into commercial production. With songs such as "Come away with me Lucille in my merry Oldsmobile" of the early 1900s to Dinah Shore's

"See the USA in your Chevrolet" or its Canadianized version "See the broad highway in your Chevrolet" of the 1950s to Bruce Coburn's "Going down the road" of the 1970s to Tom Cochrane's "Life is a highway," automobile travel is part of our culture.

Motor vehicle production has been a significant part of Canada's and Ontario's economy for the past 60 years and our past speakers have reflected this fact. We have had 15 people from the auto industry address us in that time ranging from Charles Wilson, the 1950's President of General Motors and the author of that infamous quote, "What is good for General Motors is good for America" to Henry Ford the Second and latterly Dieter Zetsche, the current Chair of the Management Board of Daimler Chrysler. However, we have never had a speech about the state of our highways, which Mr. Flewelling will speak to us about today.

Media comment about an Empire Club speech topic is generally made after the speech is delivered, rarely before. However, this morning Michael Hlinka, CBC Radio One's economic affairs commentator, referred to our speaker today and spoke extensively about the need for more investment in our highways. Mr. Flewelling's topic has stuck a chord.

Originally piecemeal in its approach, highway development in North America received a major boost in the 1950s with the development of the 70,000 km. Interstate Highway System in the United States. There, it is possible to drive more than 4,000 kilometres from the east coast to the west coast and more than 2,000 kilometres from our border to the Mexican border on wide, safe roads that have no traffic signals and no stop signs. In fact, if you didn't have to stop for gasoline or sleep, you could drive almost anywhere in the United States without stopping at all.

In 1919, a young army officer named Dwight Eisenhower took part in the first crossing of the United States by army vehicles. It was not a good trip. There were problems with thick mud, ice and mechanical difficulties and it took them 62 days to reach San Francisco from Washington, D.C. Poetic justice, but in 1956, as President of the United States, Dwight Eisenhower signed the legislation creating the federal Interstate Highway System.

The Interstate Highway System has been an important part of the United States's economic growth during the past 50 years. Experts believe that trucks using the system carry about 75 per cent of all products sold in the United States. Jobs and new business have been created near busy interstate highways all across the United States.

Canada's highways have a different history of development given the political strength of its provincial governments, which have jurisdiction over highways and the fact that our population is strung out along our long southern border. Our one national federal provincial highway, the Trans Canada Highway, was approved in 1949, opened in 1962 and was completed in 1973. While the longest national highway in the world at 7,800 km., it is a far cry from the U.S. Interstate System of four-lane limited-access freeways. Five years ago, the Canadian government considered funding an infrastructure project to upgrade the Trans Canada Highway to a freeway but the provinces preferred the money be spent on improving vital trade routes and border crossings with the United States. Stephen Harper, during the recent election campaign, announced that a Conservative government would invest $2 billion over five years to improve our highways and that such a program would be "permanent."

All the more reason for the Canadian Automobile Association, as a national organization, to keep the focus on highway development and safety throughout Canada. The CAA is a federation of nine automotive clubs serving 4.8 million members through 130 offices across Canada and Mr. Flewelling is its national President.

A graduate of Carleton University and a 25-year member of the Institute of Chartered Accountants of Ontario, David Flewelling joined the CAA in 1995 as Vice-President, Finance and Corporate Affairs, becoming President in 2001.

Mr. Flewelling is active on the issue of traffic safety, both internationally and nationally. He is a member of the World Council for Mobility and the Automobile and of the Fédération Internationale de l'Automobile and is the Past President of FIA's North American Region.

He holds the positions of Trustee and Secretary for the American Automobile Association Foundation for Traffic Safety and is a director of the Traffic Injury Research Foundation in Ottawa.

Please join me in welcoming David Flewelling, President of the Canadian Automobile Association, to our podium today.

David Flewelling

Good afternoon. I would like to take a moment to thank Manulife Financial for their kind sponsorship today.

It's a great pleasure to be speaking at the Empire Club, which has a history as long as that of the Canadian Automobile Association (CAA). Both organizations were founded in 1903. This is a place where future public policy is taken out for a test drive, so to speak, and I am honoured to join that great tradition.

If my remarks today contain the occasional driving metaphor, you will forgive me. Our organization represents 4.8 million Canadian motorists and travellers, and I myself am passionate about motoring. It's an activity so tightly woven into our daily lives that we tend to take it for granted.

Let me give you a personal example.

I grew up in the sixties. Like many of you here today, my family vacation often involved a road trip to see the country first-hand. By the time I was 12 years old, I had visited eight provinces, sitting in the back seat of my father's 1961 Pontiac Bonneville. From this, I derived a personal attachment to Canada that you couldn't possibly get from looking down through an airplane window.

While the sixties may be long gone, the automobile is still unsurpassed as a way to experience the rich diversity of our land—to see first light on the cliffs of Newfoundland or a lingering sunset from a beach on Vancouver Island. The view from the road is still king.

However, these days, the automobile has come to be seen by many politicians as a cross between a cash cow and a scapegoat. The flow of fuel excise taxes into general revenue coffers is welcomed, while the automobile itself is blamed for a host of ills. Call it the Canadian public-policy edition of the hybrid vehicle. Which brings me to the crux of my remarks today. Canada's National Highway System is at a crossroads. We can either invest in it now, or lose it forever.

For so many years, our National Highway System has been so neglected by Canadian public-policy makers that most Canadians may wonder if such a system even exists. Well—it does.

The National Highway System is 38,000 kilometres long, linking our communities from coast to coast. This is not simply a matter of kilometres of asphalt. Our highways are linked to our nation's prosperity. Four-fifths of Canada's trade, about $480 billion annually, moves across our highways.

A high-quality National Highway System and a better border-crossing infrastructure are both as essential to our economy as is, say, a reliable supply of energy.

Our highways are instrumental to ensuring the health and safety of Canadians as they travel, work, and go about their day. Upgrading our highways would benefit our health-care system by reducing the number of fatalities and injuries caused by unsafe highways.

And, we cannot ignore the effect that the state of our highways has on the environment. Improving our roads would go a long way towards reaching our clean-air objectives.

The good of our economy, our health and safety, and our environment are the reasons that our federal leaders must commit now to investing in our highways.

Just how bad are our highways? In 1998, the Council of Ministers Responsible for Transportation concluded that 38 per cent of the National Highway System was deficient and substandard.

With so little investment since then, we can only imagine what that number has reached now.

It was not always so mistreated. The Trans-Canada Highway Act of 1949 set out a bold plan and shared federal-provincial sustained funding for a roadway that would become our second National Dream. Construction began the next year, and the Trans-Canada Highway was officially opened in 1962.

For those of you old enough to remember, that year the world came to the brink over the Cuban Missile Crisis and the Toronto Maple Leafs won the Stanley Cup. I leave it to you to decide which event was more significant.

The sixties ushered in the era of personal mobility. For the first time, the vast majority of Canadians could go anywhere, anytime. There was tremendous growth in suburbia as people sought a better lifestyle.

Now companies are also relocating in droves to suburban communities.

Our way of life—of working, and how we get there—is changing.

If the sixties was the Golden Age of Mobility, then—given the corrosive condition of our roads—the decade we are in must surely be the Iron Age.

In commemorating the opening of the Trans-Canada Highway, historian Edwin Guillet had this to say: "Canada could start her second century with a new tie… a unity based on road and wheel."

Forty years later, Guillet's grand vision has sadly faded. Our love affair with personal mobility may be more passionate than ever, but the highways upon which this depends are in crisis.

We have reached a breaking point. Our highways now face a $22-billion maintenance deficit. Our federal governments, one after another, have failed to invest in this national strategic asset. If we don't act now to repair our existing highways, we could move into an era in which the required investment to rebuild them would be so huge that it would—by absolute necessity—pre-empt many other government priorities.

Now I am well aware that simply declaring our highway system to be in crisis is not the stuff that will mobilize federal politicians to act. But while the issue may not be a burning one for our politicians, it is a simmering pot coming to a boil for the public.

Our annual survey, just completed by Decima Research, found that 60 per cent of Canadians say their highways are getting worse. Canadians also think that highways are the most important infrastructure issue facing the federal government today.

What seems to be missing for federal politicians is a solid connection between Canada's priorities—health care, the economy and the environment—and the state of our highways. Today I'm going to help make that connection.

What if I told you that the health and safety of Canadians are being needlessly put at risk, that precious health-care resources are being unnecessarily strained? That should get our attention.

In 2004, 225,000 Canadians were injured in traffic collisions—more than 600 people every day of the year. About 17,000 of these were serious injuries requiring at least a day's worth of hospitalization. Another 2,700 lost their lives.

The economic toll of this carnage is estimated at $25 billion annually—two and a half per cent of our GDP.

We should not be complacent about preventable death and injury, just because they occur on our roads.

Public awareness campaigns have been instrumental in ensuring motorists are aware of their role in road safety.

Vehicle manufacturers have made great strides in safety innovations.

It's obvious what the final piece of this puzzle is: we need safer drivers, in safer vehicles, on safer roads.

It isn't simply an issue of our health and safety. The lack of investment in our National Highway System is an increasing threat to our standard of living.

I've already mentioned the importance of highways to our trade: congested, substandard highways are slowing down the movement of goods to airports, rail terminals, ports and U.S. markets.

The bright side is that investments in infrastructure can be directly tied to prosperity. A study by Stats Can found that infrastructure investments between 1961 and 2000 were the source of 18 per cent of the gains in overall productivity during that period.

Then there is tourism. Most visitors come here by car, or rent one when they arrive. If they are delayed at the border, or get stuck in traffic around the big cities, or find themselves on poorly maintained highways, they take notice and they don't come back. That hurts a sector that brings in $57 billion in spending, $15 billion in taxes and employs more than 600,000 Canadians.

Our neighbours down south recognize the importance of their highway system. Last year, the U.S. Congress committed $286 billion over six years on highway renewal. The European Union has made a similar commitment.

Still, Canada has no national highway plan—no consistent vision, no policy, no sustained funding, no national standards for our highways.

As if threats to our health and safety and our standard of living weren't enough to spike your blood pressure, what if I were to tell you about a threat to our environment and efforts at energy conservation?

As Torontonians, you know first-hand that when vehicles in congested traffic situations brake and accelerate over and over, they use more fuel and emit more pollutants. With better-maintained highways, we could save as much as 236 million litres of fuel a year and make an immediate reduction in greenhouse gas and smog-forming compounds.

Better roads will increase the life of our vehicles, and reduce the number of tyres in our landfills.

Allow me to add one more issue.

Most of us hope to be aging drivers one day, and some of us will get there sooner than others. Mobility defines freedom and quality of life in our senior years. Older drivers, even those who are completely fit to drive, have special needs. Poorly maintained or designed highways, poor signage or bad lighting adds to their difficulties. Wouldn't it make good sense to upgrade our highways to meet the needs of Canada's growing aging population—in turn making the roads safer for all motorists?

The state of our National Highway System has profound implications for our health and safety, for our quality of life, for our environment, and for our personal mobility, now and as we grow older. Yet, in the immortal words of Rodney Dangerfield, our highway system "can't get no respect."

There are a couple of reasons for this.

Highway renewal is caught up in the tug-of-war between Ottawa and the provinces that defines politics in Canada. The responsibility for highways rests at the provincial level, yet our federal government collects federal fuel tax revenues.

Then, when it comes to infrastructure spending, governments understand what they can sell politically. An expenditure on a new bridge is far more popular than repairing or maintaining an existing bridge. Eighty per cent of infrastructure spending at all three levels of government is devoted to new infrastructure, leaving only 20 per cent to repair what we already have. That is not sustainable.

Even though Canadians place a high priority on roadway improvement, fuel excise taxes are unpopular. The Economist Magazine, describing British motorists, shed light on this seeming contradiction: "Fuel and car taxes are unpopular because the government earns far more from them than it spends on roads."

This is true in Canada as well. Our federal government only spends between 2 per cent and 7 per cent of the fuel excise tax that it collects on highway improvement. The rest goes into general revenues. With the new cities agenda now endorsed by the Conservatives, half of the federal fuel tax will go to municipalities. This is good for the cities; they deserve a break. But that still leaves half the fuel excise tax that could be redirected towards roadway improvement. That's $2.5 billion per year.

By doing so, the federal government would be enacting sound public policy in four ways:

First, they would be spending taxes taken from motorists on infrastructure used by motorists. This enhances accountability in taxation—a concept that has become almost quaint.

Second, Canadians would finally see that their taxes bring better roads, and direct benefits: reducing their fuel costs, cutting vehicle maintenance costs, saving travel time and, most importantly, reducing their risk of injury or death.

Third, investing fuel excise taxes in highways addresses the federal-provincial fiscal imbalance, which is a high priority for all governments.

And fourth, Ottawa would be joining hands with the provinces on a project that enables Canadians to experience their own country.

By committing to a vision for our highways, the new government will be building national unity—in the tradition of our post-World War Two governments who built the Trans-Canada Highway through a legacy of public infrastructure.

There are encouraging signs that the government is heading in this direction.

During the election campaign, Prime Minister Harper said: "Infrastructure is a crucial investment in our economic productivity and quality of life. ...To harness our economic potential, Canada must address its national infrastructure deficit."

I'm also encouraged by the amalgamation of several portfolios into the Ministry of Transport, Infrastructure and Communities, as well as the appointment of Lawrence Cannon as Minister. With his experience in provincial and municipal infrastructure, he seems to be the right person to take up the challenge of national infrastructure renewal.

To guide the Minister along his way, CAA has developed a five-point action plan:

One. The federal government must see highways as an investment in the health, safety and productivity of Canadians, not as a discretionary expense.

Two. Recognizing that our National Highway System is a strategic asset, the government must implement a national highway policy to ensure that our roads and highways are safe, efficient and environmentally responsible.

Three. The government needs to set funding priorities to bring the National Highway System up to an optimal standard and provide for future needs as well.

Four. We need investment in the roads of tomorrow by increasing funding for research into intelligent transportation systems.

Five. The government must encourage environmentally responsible driving through tax incentives for fuel-efficient and hybrid vehicles, public awareness campaigns and funding for road improvements to reduce congestion.

So far I've spoken to you about Canada's regression from a Golden Age of Mobility to an Iron Age, and suggested how we can reclaim today what we have lost.

Now I'd like to paint a picture of what the future could look like for our roadway system.

It's a Friday. Because of a planned weekend trip, I am using my hybrid car instead of local transit.

The journey is smooth because my city is using Intelligent Transportation Systems—traffic lights activated by sensors in the road, real time electronic signage, and timed entrance ramps—to help ease the flow of traffic.

I pick up my wife and we continue on to Quebec's Eastern Townships. Driving through Ottawa, we notice the lack of transport trucks. Now, the vast majority of commercial traffic has been diverted by a ring road, avoiding the centre core of the city.

We notice that the roadway system is properly designed and maintained—well lit, gradual, not sharp, curves, wider shoulders and easy-to-read signage. The highway actually makes our journey safer.

Thanks to tax incentives, we also see that there are a lot of other energy-efficient vehicles on the road.

When we leave the divided highway, traffic continues to be moving well—and safely—due to the "two-plus-one" highway. The highway is three lanes wide and every two kilometres the lanes switch back and forth from two to one, allowing slower traffic to be overtaken in one direction and then the other.

The distinguishing safety characteristic of the two-plus-one is the barrier system that prevents passing on the one-lane section.

Well—that's a brief look at what is possible. Now we need to consider how we can pay for these roads.

The status quo—ignoring the issue—is not an option. One thing our federal government cannot do is remain frozen in the headlights.

The federal government must commit to investing the remainder of the fuel excise tax into our highways now. They must also recognize that fuel excise taxes will be a declining revenue source. You can't siphon as much tax out of the ever-increasing number of fuel-efficient vehicles.

We need to look for—and be open to—other alternatives.

So, we may see more public/private partnerships or P3s to finance highways.

I was shocked to discover recently that Canadian pension funds are seeking out infrastructure projects overseas, instead of investing at home—in part, because it is easier to do so.

Better highways can be our future. We can move forward to a world-class highway system that unites our country or watch our National Highway System deteriorate beyond repair.

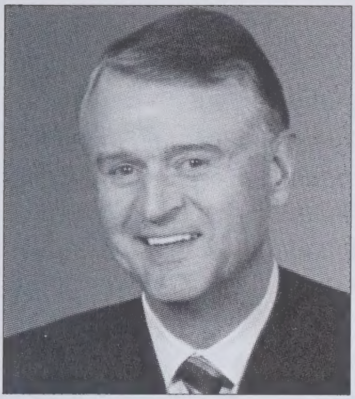
Canadians have already said they want to move forward. Canadians—who use roads and highways every day to get to work and to get together. Canadians, like you and like me, who first discovered the wonder of this country from a road-trip in their parent's 1961 Pontiac Bonneville.

The time for action is now.

Thank you very much.

The appreciation of the meeting was expressed by Rev. Dr. John Niles, MSM, Rector, St. Andrew's United Church, Markham, First Vice-President and President-Elect, The Empire Club of Canada.

David Flewelling, President, Canadian Automobile Association, and William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.



March 23, 2006

Patrick D. Daniel

President and CEO, Enbridge Inc.

ENERGY SUPPLY AND DEMAND: THE NEED FOR LEADERSHIP AND ACTION

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Jo-Ann McArthur, President and COO, Pigeon Canada Inc., and Director, The Empire Club of Canada; Barry Dewitt, Grade 12 French Immersion Student, Lawrence Park Collegiate Institute; Reverend Kevin Robertson, Incumbent, St. Nicholas Anglican Church, Birchcliffe; Cynthia Chaplin, Member, Ontario Energy Board; Bart J. Mindszenthy, APR, Fellow CPRS, Partner, Mindszenthy & Roberts Corp., and Immediate Past President, The Empire Club of Canada; Rebecca MacDonald, Executive Chair, Energy Savings Income Fund; Tony Comper, President and CEO, BMO Financial Group; Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Mike Crawley, President and CEO, AIM PowerGen Corporation; Jessica LeCroy, Consul General, U.S. Consulate General Toronto; and Thomas C. MacMillan, President and CEO, CIBC Mellon.

Introduction by William Whittaker

The title of Mr. Daniel's speech today is " Energy Supply and Demand—The Need For Leadership and Action."

With one of the highest per-capita consumption of energy in the world, Canadians have long believed that the uninterrupted supply of energy—and cheap energy at that—is their birthright. However, given the escalation in gasoline and natural gas prices over the past few years, Canadians are asking questions about their future energy prospects.

The energy supply worm is beginning to turn and some of us remember that it can turn pretty quickly. In late 1973, there was a sudden 200-per-cent increase in the cost of crude oil described by Henry Kissinger, the then American Secretary of State, as one of the pivotal events of the last century. This oil price increase resulted in 25 million unemployed in North America and Western Europe, severe strain in the banking sector, acute debt problems for countries around the world and the decline of American economic predominance.

Since 1973, there has been the 1979 energy crisis caused by the Iranian revolution, the Gulf War-induced spike in oil prices in 1990, the California electricity crisis of 2000 and 2001 due to failed deregulation and the weather-induced price increases of 2004 and 2005. As Yogi Berra, the New York Yankee whose quotations have become part of our folklore, said, "It is deja vue all over again."

There were projections late last year of a significant increase in the price of natural gas due to the worst hurricane season ever in the Gulf of Mexico, which disrupted production. In a recent speech to the Energy Leaders' Round Table, our speaker today said, no doubt tongue in cheek, that he feared he may have had to face a lynch mob. However, he and we, as consumers, were saved by our unusually warm winter. Although gas prices did not rise as predicted, we are still only an eye blink away from a short-term energy supply problem so Mr. Daniel's speech today is timely.

Mr. Daniel is well qualified as a spokesman for the energy industry as his company, Enbridge Inc., is unique in Canada in that it both transports product long distance by pipeline and delivers it via a local network to industrial and residential consumers. Consequently, he has the intellectually stimulating experience of having to deal with regulators and policy makers at both the federal and provincial levels of government.

Enbridge Inc. operates the world's longest crude oil and liquids pipeline system in Canada and the United States comprising 13,500 km. of pipeline delivering more than two million barrels of crude oil and liquids per day. Enbridge is also involved in liquids marketing and international energy projects and has a growing involvement in natural gas transmission.

As a distributor of energy, Enbridge owns and operates Canada's largest natural gas distribution company, Enbridge Gas Distribution, providing gas to 1.7 million industrial, commercial and residential customers in Ontario, Quebec and New York State.

Mr. Daniel's energy sector experience spans over 30 years and includes process engineering, information technology, corporate planning and senior management positions with Enbridge Inc. and its predecessors. He became President and Chief Executive Officer of Enbridge in 2001 and is a director of Encana Corporation, Synenco Energy Inc. and Enerflex Systems Inc.

Mr. Daniel is a past Chairman of the Energy Council of Canada and is Chair of the University of Alberta's Faculty of Business. He also serves on the University of British Columbia Faculty of Applied Science's Engineering Advisory Council and on the Calgary Business Hall of Fame selections committee.

Please join me in welcoming Patrick Daniel, President and Chief Executive Officer of Enbridge Inc., to our podium today.

Patrick Daniel

Introductory Comments

Good afternoon. Thank you Bill and thank you to CIBC Mellon for sponsoring today. It's an honour and somewhat daunting to be here and to be speaking at the Empire Club.

I am here today to talk primarily about energy—supply, demand, opportunities and challenges. But I'd like to do so in the context of the need for visionary leadership in this country, as well as for bold action.

You might ask why we need a "vision" for energy, or bold action, for that matter. Isn't everything rosy in Alberta with regard to energy, and isn't everyone happy, and isn't our future very bright? Well "yes," "yes" and "yes" to all of those questions. But will this be with us forever? There I'd have to say, "no," "no," "no," it will not!

The hardest time to get people rallied to develop a vision for the future is when things are going very well—but it is the best time to plan.

However, developing a vision and taking bold action are two traits that are not very Canadian. And generally speaking, we don't reward risk takers in this country.

When I think of leaders with vision, and their words of inspiration, I rarely think of Canadians, and that's unfortunate because I do believe that the lack of vision—from political leaders, business leaders and citizens at large—is keeping Canada from realizing its full potential.

Leaders with vision are people like Abraham Lincoln, as evidenced by his Gettysburg address and those famous words: "that government of the people, by the people, for the people, shall not perish from the earth." I think his vision becomes obvious with these words.

Or Sir Winston Churchill's: "We shall fight on the beaches. We shall fight on the landing grounds. We shall fight in the fields, and in the streets, we shall fight in the hills. We shall never surrender!"

Or Martin Luther King's: "I have a dream." Or John F. Kennedy's: "Ask not what your country can do for you—ask what you can do for your country."

These were leaders with vision, who were able to communicate their vision and inspire millions of people to action. But it has been difficult to find truly inspiring words from our Canadian leaders.

Sir John A. MacDonald was our first prime minister and a Father of Confederation. And yet a web search for vision and quotations repeatedly brings up just two. One was: "Never write a letter if you can help it, and never destroy one." That quote sounds like downside protection rather than upside opportunism! The other was: "When fortune empties her chamber pot on your head, smile and say we are going to have a summer shower." Perhaps, again, words of wisdom, but nothing that speaks to greatness.

It's also rather sad to think that the best-known quote by a Canadian prime minister was probably the very succinct "fuddle duddle." Maybe not a bad call to action, but not exactly visionary.

And how about our approach to hockey? The Canadian men's hockey team gets beaten by the Swiss, the Finns and the Russians. And what do Canadian hockey commentators and most of us as fans do?

We lament the fact our team had to play on the larger European ice surface, and didn't have enough time to practice together, and couldn't adapt to the style of play they encountered. "But those Swedes better watch out—bring them over to Canada and we'll show them how to play the game." As Don Cherry would say, there won't be many of them left at the end of the Stanley Cup grind.

In other words, let's not acknowledge the excellence of the teams that beat us. Let's not aspire to be better than them in future and be able to beat them at their game. Let's just pull them down to "our" game to win.

My point is that Canada and Canadians can and should be leaders in many fields, but we're not. We lack leaders with vision. And although we do have a prosperous and comfortable lifestyle, for most of us, we also have a number of significant challenges facing us that do require that vision and bold action.

I could cite a long list of areas where vision is required, including health care, where we seem to be more concerned with maintaining universality than in developing leading-edge health services for all Canadians; it is really a rallying cry for mediocrity, not excellence. (I suppose, at least, it is a vision.)

But I will stick today with a subject that I know better than health care—and that's energy. Why do we need an energy vision?

In laying out my case for the need for a national vision on energy, I have three main points that I want to make.

The first is that, even though North American energy demand seems to be outstripping supply, we actually do have lots of energy reserves to meet our needs for many years to come.

The second message is that while we have energy reserves, the timely connection of energy supply and the effective delivery to markets are growing problems. And we as consumers are a big part of the problem.

My third message today is that it is time for action—bold action—to ensure that we get maximum value from our energy, that we stabilize prices, and that we adapt for the energy environment of the future. Canada is an energy leader today; let's not lose that leadership position.

So let me begin with message number one—energy supply.

There is a widely held belief that the world is running out of energy. It's not true, although demand is starting to get ahead of connected supply. The fact is that there are plentiful sources of energy in the world—lots of oil if we look past so-called conventional sources, and lots of natural gas and coal. There is also nuclear power, wind, fuel cells and hydrogen. All of these energy forms can have major roles to play in our global energy future.

There is also a widely held concern—that I happen to share—that we use too much energy and that it is contributing to global warming and other environmental problems. I think you only have to look at the brown rings in the air around most of our big cities to realize that there has to be a better way.

Our problem is that we can't seem to decide what we want to do here! And this is where we need a vision. We need to set energy objectives and develop the tactics and timing for getting there, and then let market forces take over.

Is the vision to move to an environment more focused on renewables? If so, by when, and how do we get there? Can we reduce our dependence on fossil fuels to, say, 50 per cent of our needs by 2050, as BP's Lord John Browne suggested when he spoke to the Empire Club here in 2004? If so, let's target that and go for it.

We do have enough crude oil and natural gas available to act as transition fuels for the next 50 years, and more. They are a major part of the solution to our major energy "problem." If we had a national strategy, maybe we could see and understand that. In other words, hydrocarbons are our lifeline to solving our short-term energy needs and environmental problems—not our problem.

With a proper vision, maybe we would quit opposing the very projects that are part of the solution, and start encouraging those projects that will lead to that long-term goal.

The point of all this is that there are extensive reserves of oil and natural gas that can fuel North American needs for a long time to come. All we have to do is connect them to the markets.

We are also blessed with energy delivery systems—pipelines, both oil and gas; distribution networks; and power transmission systems—that are among the very best in the world.

Roadblocks and Hurdles to Our Vision

So that leads me to the second issue that I want to discuss, and that relates to the problems of energy delivery. Firstly, the permitting of any new energy delivery infrastructure is a laborious, expensive, adversarial process. We pay people, called intervenors, to come to hearings and oppose the very projects that should be part of our national strategy.

As consumers, we have come to take secure supplies of reasonably priced oil, gas and electricity for granted. Unfortunately, more and more often it seems consumers also take it for granted that they can oppose new energy projects without any consequence.

It's apparently OK in our society, almost fashionable, to criticize and oppose big, bad energy companies. In fact, at a recent American Petroleum Institute meeting I sat through a presentation that indicated that the industry's approval rating is at an all-time low with the general public. When supplies get tight and prices go up, consumers simply blame the industry.

We all are consumers of energy, and we all should have a vested interest in seeing reasonable, timely energy developments take place.

Today's energy industry operates in a different environment than even just a few years ago. There are greater numbers of stakeholder groups than ever before. And environmental protection has become a much greater priority for stakeholders and communities, as has consultation with aboriginal communities. This is as it should be.

Responsible development of North American energy resources can, and should, take into account legitimate environmental concerns and equally legitimate economic and social concerns. This should be handled through pragmatic discussions that look for balanced solutions.

At the same time, I'm concerned about the widespread "not in my backyard" syndrome, which has resulted in many energy projects being significantly delayed, or even killed.

Supply solutions that should be part of a national strategy, such as LNG projects and even wind farms, have become highly politicized.

Clearly there's no easy way to balance all the often-conflicting interests that exist today. And I'm certainly not suggesting that we should give industry carte blanche in building new energy infrastructure and developing new energy resources.

The ability of the public to intervene in the regulatory process with legitimate concerns needs to be protected.

Still, we need to be aware of the real costs of quickly making tradeoffs in favour of delayed development. Because the net effect of giving virtually every stakeholder group a veto can be to greatly undermine the "public good" and "public necessity."

As William Campbell wrote in 1906 in a book called, simply, "Canada": "The truth is the truth and must be spoken...the poor man has no more right to act against the good of the whole community than has the rich. When he does so, though unconsciously, he is injuring the poor man more than all others, as he is in the majority, and must feel more than others what injures the whole country." It has been 100 years and we still don't have that message through our thick skulls.

Policy-makers and regulators must get back to the job of making some tough decisions on their own. It's not their job to try to make everyone happy. It is their job to act on behalf of the broadest possible "public good." And that can only work if we tell our regulators what our vision is.

What's Needed to Resolve These Issues?

So how do we resolve these problems and ensure continued supplies of energy for all Canadians?

It's a fact of life that Canadians, whether we like it or not, are competing with countries around the world that do some central planning. For some people, central planning probably conjures up images of socialist states, but it shouldn't. I think, for example, that Americans are pretty good central planners.

It's hard for us in Canada to compete with such countries over the longer term because those countries often have a road map for development. We just seem to end up wherever we end up, and hope it's where we wanted to go in the first place.

Part of the answer is for more Canadian companies to become leading-edge and global. For example, Canadian companies are leaders in the technologies associated with extracting oil from oil sands, and could use that expertise to become world leaders. And Canadian pipeline companies are considered leaders, and are already welcomed in many countries around the world to share our expertise and experience.

With leadership and vision, Canada could leverage its resource base and its people to create a true world energy leader of the future.

Right now, we are energy leaders simply because we have been dealt a good hand. And you know what? That is a good description of Canada itself. We have been dealt a good hand. But a bad hand well played can often beat a good hand.

I'd like to see a national energy strategy that sets out where we want to be in five, 10, 15, 25 years—and a policy framework that encourages the kind of behaviour we want.

Clearly it is essential to continue to develop our conventional sources of energy supply, and to increase the supply of renewable energy and lessen environmental impacts. But there also needs to be an appropriate policy balance to ensure there is investment in our energy future, utilizing low-impact energy supplies, and advanced energy technologies (such as coal gasification, carbon dioxide sequestration, and near-zero emission stationary fuel cells).

And if we can see our way clear to encourage Canadian companies to grow globally and think big, all the better.

Without some sort of discussion of national priorities, and some sort of energy policy, we are going to lurch from crisis to crisis. So, we need an energy strategy—but I have to admit that I'm not optimistic that one will be forthcoming.

I'm afraid I agree with a recent quote in The Economist that describes Canada as having "everything, except perhaps ambition."

As I said earlier, too often in this country we try to please everyone, and end up pleasing no one. When an energy infrastructure project is proposed, there is inevitably someone or some group that would prefer to see it not built. So we dither around trying to find a solution that makes everyone happy, and it never exists.

If we're going to prevent energy shortages in this country, decisions are going to have to be made to meet the greatest public good.

Conclusion

But to conclude, I will try to remain optimistic for a while longer, until I have seen what the new minority government in Ottawa can do. I realize that being in a minority position imposes certain limitations, but I call on the Prime Minister and his government to take bold, positive actions to ensure reliable access to energy.

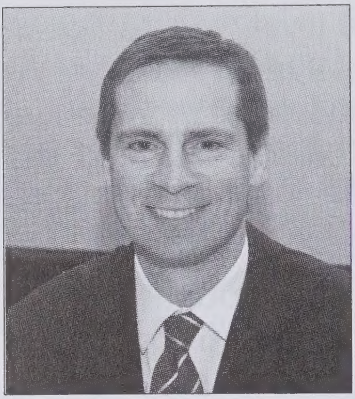
And I challenge the government to take equally bold actions to address Canadians' over-consumption of energy, which will be the only real way to reduce energy demand and thus reduce greenhouse gas emissions.

I would be pleased, as I know my colleagues in the energy industry would be pleased, to work with governments and regulators to create the energy policy framework to make this happen and to create the bold vision that we need. I believe the benefits of doing so are significant, and self-evident.

And if we don't, I'm afraid future winters are going to be long, cold and expensive for all of us. In the past, we've dodged a number of energy scares in this country. I don't think we'll continue to be so lucky in the future unless we act now.

Thank you all very much, I appreciate your time and attention today.

The appreciation of the meeting was expressed by Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada.



March 28, 2006

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Dalton McGuinty

Premier of Ontario

THE ONTARIO BUDGET

Chairman: **Rod Phillips**
President, The Canadian Club of Toronto

Head Table Guests

Helen Burstyn, Chair, The Ontario Trillium Foundation, and Director, The Canadian Club of Toronto; Hilary Short, President and CEO, The Ontario Hospital Association; His Worship Mayor David Miller; Scott Hand, Chair and CEO, Inco Ltd., and Director, The Canadian Club of Toronto; The Hon. Marie Bountrogianni, Minister of Intergovernmental Affairs and Minister for Democratic Renewal, Government of Ontario; Renato Discenza, Senior Vice-President, Enterprise Sales, Bell Canada; Robert J. Prichard, President and CEO, Torstar Corporation; Lisa Baiton, Vice-President, Government Relations, Environics Research Group, and Director, The Empire Club of Canada; Mark Cohon, President and CEO, Audience View Software, and Chair, The Ontario Science Centre; Dr. Janice Gross-Stein, Director, The Munk Centre for International Studies, University of Toronto; Stephen Motta, President, GE Money Canada; and William Whittaker, President, The Empire Club of Canada, and Partner, Lette Whittaker LLP.

Introduction by Rod Phillips

On behalf of the Canadian Club of Toronto and the Empire Club of Canada, it is my pleasure to welcome Premier Dalton McGuinty to our podium today.

Since his party's election in 2003 Premier McGuinty has been a passionate and articulate proponent on the interests of our province's diverse and growing population.

Now we all know that leading a complex province like Ontario requires world-class diplomatic skills. Premier McGuinty has shown great ability in this regard which is a very good thing. Especially given that so many highly qualified politicians are considering running for the federal Liberal leadership later this year he may have to choose between his Education Minister and his brother.

Dalton McGuinty was born and raised in Ottawa in a family of 10 children, which probably stands him in pretty good stead on those days when cabinet meetings get a little rowdy.

His mother, Elizabeth, is a retired nurse living in Ottawa. His father, Dalton Sr., was a teacher and professor who served as the Ottawa South MPP until 1990.

Before entering politics, Dalton McGuinty practised law in Ottawa. He has a law degree from the University of Ottawa and a science degree from McMaster University in Hamilton.

He met his wife Terri, an elementary school teacher, when they were both still high school students in Ottawa. They have been married 25 years and have four children

He was first elected to the Ontario legislature in 1990, winning the seat formerly held by his father in Ottawa South. During his years in opposition, he served not only as leader but as a critic for energy, colleges and universities, native affairs and the environment.

In the general election of 2003, the Ontario Liberal Party formed the government, taking 72 seats with 47 per cent of the vote, and Dalton McGuinty became Ontario's 24th premier.

Last week, his government introduced its third budget, one that focuses on health care, education and in particular infrastructure—roads and bridges, as well as public transit—issues of great interest to those of us who live and work in the GTA.

Premier McGuinty has spent much of the past year demanding that the federal government—first Paul Martin's and now Stephen Harper's—do something to address the imbalance between what we as Ontario contribute to the country and what we receive.

Premier McGuinty is now more than halfway through his first mandate. He is here today to tell us how he thinks things have been going, and where he expects them to go in the future.

Ladies and gentlemen, please welcome to our podium today the Premier of this great province of Ontario, the Honourable Dalton McGuinty

Dalton McGuinty

The highlight of this time of year for many of us at Queen's Park is the budget. I'm enormously proud of our budget because it builds opportunity for Ontarians.

We believe that our taxes must be fair and competitive, so there are no new taxes or tax increases.

We want to encourage business investment. So there is a 5-per-cent cut in the capital tax starting January 1, 2007—a full two years earlier than we planned.

We know that, if we are to compete and prosper, our people must be healthy and vibrant. So, there is an additional $1.9-billion investment in health care. This is so we can continue to reduce wait times, increase access to doctors and nurses and aggressively pursue illness prevention. I'm also very pleased that our budget proposes to fund insulin pumps for about 6,500 children living with Type 1 diabetes. This would make us Canada's first province to fund insulin pumps.

We know the best jobs will go to the place with the best-educated, most highly skilled work force. That's why we're doubling student aid and increasing funding for universities and colleges by another $700 million this year. This will ensure the 75,000 in our postsecondary system spaces in high-quality institutions. And we are also increasing investment in our primary and secondary schools by another $400 million this year, so we can continue to reduce class sizes, improve student achievement and lower the drop-out rate.

Finally, and this is really exciting stuff, we are dramatically improving Ontario's transportation infrastructure. There is $1.2 billion for roads, bridges and public transit. This includes a new subway line that will, for the first time, link 416 and 905—the city of Toronto our largest economic engine, and York, our fastest-growing region.

For years, audiences like this one, often in this very ballroom, have heard about and talked about the need to repair our crumbling infrastructure and invest in our transportation networks. You have told us that this is absolutely essential if Toronto, Ontario and Canada are going to take on the world—and win. Well, I'm delighted that, under our plan, this important work, this essential work, is finally getting done.

There has been some healthy debate since the budget, as there should be.

Some have suggested we should have instead cut taxes or made even larger expenditures that would continue year after year.

The fact is that—thanks to you and other hard-working Ontarians like you—we have some additional revenues this year. These were revenues we did not anticipate and private-sector forecasts did not anticipate. And, since they were a surprise—a pleasant surprise—the prudent thing to do was to treat them as one-time revenues, instead of counting on them being there year after year. So we used these one-time revenues to make some one-time investments in much-needed infrastructure.

Others have suggested we should have foregone these investments and balanced the budget this year. We made a strategic choice—the same choice Ontarians would make in their own lives.

You wouldn't pay off your mortgage if your house foundation needed repair, or your plumbing was falling apart. So we chose to renew Ontario's infrastructure, at this point in time.

And we remain on track to balance the budget no later than 2008–2009. We'll balance one year earlier—that is, next year if our $1 billion reserve isn't needed.

I'm confident we are making the right choices. But this debate does raise a legitimate question: when Ontarians are working so hard, when Ontarians are working so well, when our economy is performing at such a high level, why does Ontario face this choice at all?

We should be able to balance the budget and make strategic investments at the same time. We are generating enough wealth here in Ontario to do both.

But two obstacles stand in our way.

The first is the fact we inherited more than just a $5.5-billion fiscal deficit. We also inherited an education and skills deficit, a health-care deficit and the infrastructure deficit—and we are addressing them all, in addition to the fiscal deficit.

The second obstacle is the enormous gap between what hard-working Ontarians contribute to the federal government as revenue and what they get back in programs and services. And this is what I want to talk about in my remaining time today.

I'm going to tell you where things stand—and where Ontario stands—when it comes to addressing this gap that faces our province. And I'll talk about where we stand when it comes to addressing the fiscal imbalance that faces every province including Ontario.

Like our weather, this discussion is finally heating up. A panel set up by the provinces is preparing a report. I want to publicly thank Janice Stein for her tremendous contribution as Ontario's representative and co-chair of the panel. I want people to note that there wasn't a single grey hair on Janice's head before she began her work on the fiscal imbalance. Janice has learned, as I have, that discussions over money with our provincial colleagues require lots of goodwill, a sharp pencil and sharp elbows.

A federal panel will be reporting shortly. We premiers will meet next month in Montreal. And odds are that we will sit down with the Prime Minister, probably in the fall.

Now I know that, when it comes to TV ratings, federal-provincial talks are no threat to Canadian Idol. But it's as important as your child's school, your parents' health care, the quality of higher education and the safety and capacity of our roads.

What's at stake is our ability—Ontario's ability—to invest in these things and put the province on a sound financial footing—not occasionally, but permanently. So I want to spell out the principles that will guide Ontario as we seek that progress.

First, just a bit of context.

When I started campaigning to narrow Ontario's gap in 2004, that gap was $23 billion. Thanks to the support so many of you gave in that campaign, we have made real progress. We negotiated breakthrough agreements, on Ontario's behalf, with former Prime Minister Martin's government. Those new agreements are designed to invest another $6.9 billion over the next six years in Ontario—in support for our immigrants, in training for our workers and in measures to offset the effects of climate change.

That's real progress.

Now, there are those who would say, "Okay McGuinty, that's good enough, now be quiet, let's just drop the subject."

But before anybody declares victory, before they schedule the parade, they need to consider this: Just 10 years ago, the gap was $2 billion. Today our gap remains many times greater than $2 billion.

Here in 2006, with Ontarians working so hard, and generating so much wealth, we still had to choose between the investments we all agree need to be made and balancing our budget.

So, if we can make this kind of progress under Mr. Martin, who never acknowledged a fiscal imbalance between the federal government and the provinces even existed, then surely Ontario is entitled to expect tremendous progress under Prime Minister Harper, who said that fixing the fiscal imbalance is one of his highest priorities.

Now, here are the principles that will guide Ontario as we seek that progress.

First of all, there has to be enough money in place to meet the real needs of Ontarians today. Our fiscal arrangements were designed decades ago—for an agrarian society, a protected market and the old economy. We need a new approach that recognizes the growing importance of our cities and their fiscal challenges, the reality of free trade, and the demands of a new knowledge-based, global economy. A good first step would be to restore federal transfers to the level they were at before the deep cuts of the 1995 federal budget.

Secondly, the fiscal imbalance must be corrected. Right now, the federal government has most of the money while we provinces have most of the responsibilities, including the two that matter the most and grow the fastest—education and health care.

There is only one level of government that has far more revenue than responsibilities in Canada right now. It's not my level and it's not city hall unless Mayor Miller knows something I don't. A strong central government should set goals and objectives we can all work towards. But those doing the work need the resources to get the job done.

The third principle is transparency. The system we have now is the product of side deals, add-ons and backroom wheeling and dealing.

Programs that should treat each Canadian equally no longer do.

Programs that should be funded on a per-capita basis no longer are.

An Ontarian who finds himself out of work is no less a Canadian than an unemployed person in New Brunswick. But an unemployed Ontarian gets $3,310 less in regular benefits than an unemployed person in other provinces.

An Ontarian with a bad hip is no less a Canadian than someone in Quebec with a bad hip. Yet Ontario gets $181 less per hip replacement than other provinces.

A college student in Ontario is no less a Canadian than her counterpart in PEI. Yet Ontario receives $104 less per college student than other provinces.

A disabled Ontarian is no less a Canadian than a disabled person in Manitoba. And yet Ontario receives $361 less per disability-support case than other provinces.

The system must be transparent. Programs like these must be delivered on a strictly per-capita basis—that a Canadian is a Canadian is a Canadian!

Let me be clear.

We support equalization.

We acknowledge that different provinces and territories will have different financial capacities.

We are proud to help pay for training in Halifax and St. John's, surgeries in Montreal and Winnipeg and postsecondary education in Whitehorse and Moncton.

But the way for Ontarians to support these services for Canadians in equalization-receiving provinces is through one, transparent equalization program. We do not support the unfairness that has crept into all other federal transfers—transfers that are supposed to be paid out on a per-capita basis.

Which brings me to our fourth principle—and the most important one of all. And that's fairness.

We support equalization because we want all Canadians, wherever they live, to be able to depend on their public services. But it would be a mistake for Prime Minister Harper to solve the fiscal imbalance through equalization alone.

That would help some provinces—but not all. And it would help some Canadians—but badly fail others. And it would fail Ontarians most of all.

Any proposed solution to the fiscal imbalance must go beyond equalization alone and include transfers to all Canadians.

We still need to narrow Ontario's gap. We're not looking to eliminate it. We know we have a leadership role to play within Confederation. But we do need to continue to narrow the gap so we can invest in our future prosperity and put our province on a sound fiscal footing, and not just when there's a windfall, but year after year after year.

After all, if Ontarians are to share the wealth, we must first equip them to generate it. And that means strengthening their education and skills, their health and their infrastructure.

We Ontarians believe in Canada. We are proudly Canadian.

Sometimes, in their quest for simplicity, reporters ask me: "Do you put Ontario first or Canada first?" They might as well ask me if I put my oldest daughter first—or my family first.

The truth is I want a strong Ontario for a strong Canada.

As premier, I am privileged to work on behalf of 12.5 million Ontarians. I will always stand up for my province. I can't think of a better way of serving my country than by strengthening my province. And I can't think of a better way of strengthening my province than by ensuring every Ontarian has the opportunity to succeed.

That's what our budget is all about, that's what our campaign to narrow the gap is all about and that's what I'm all about.

Building a strong Ontario by building opportunity.

Building a strong Ontario for a strong Canada.

Thank you.

The appreciation of the meeting was expressed by William Whittaker, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.

Members and guests of the Canadian Club of Toronto and the Empire Club of Canada, I have the honour to express your formal thanks to Premier McGuinty.

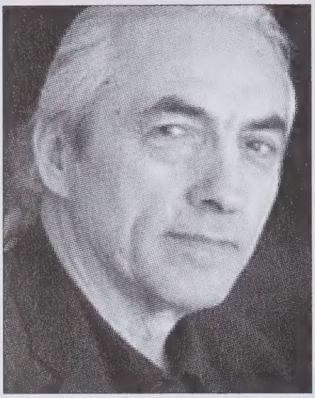
The topic of fiscal imbalance is now more than a cottage industry in Canada with many of our provincial governments and think tanks weighing in on this topic over the past few years. Google the phrase "fiscal imbalance" and it is truly amazing what pops up, most of the entries being Canadian in origin.

The Ontario government has been at a disadvantage in this fiscal imbalance debate as most Ontario residents consider themselves Canadians first and Ontarians second. This has made it difficult for Ontario politicians to discuss unfairness in fiscal matters without being considered disloyal to this ethereal concept—Canada. Ontarians forget that their Ontario government looms large in their personal lives in terms of delivery of health care, social services and transportation and infrastructure.

Through speeches such as yours today Mr. Premier, the topic of Ontario's fiscal imbalance is finally being heard by our fellow Canadians and hopefully our newly elected federal government. Your use of per-capita statistics on how Ontario lags behind the rest of Canada, respecting federally funded health procedures and post-secondary education—a technique used to great effect by your Minister of Intergovernmental Affairs in recent speeches and media interviews on this topic—were compelling.

Your remarks were rational, well thought out and lacked the histrionics of some other commentators on this topic; indeed remarks one would expect from the premier of the province that is the cornerstone of Canada.

Mr. Premier, I thank you for your remarks today.



April 6, 2006

Phil Fontaine

National Chief, Assembly of First Nations

ISSUES AFFECTING FIRST NATIONS PEOPLE

Chairman: **Rev. Dr. John S. Niles**
First Vice-President and President-Elect,
The Empire Club of Canada

Head Table Guests

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Karen Li, Grade 11 Student, North Toronto Collegiate Institute; Elder Dr. Lillian McGregor, Honorary Doctorate (Law), University of Toronto; Patrice Mousseau, Producer, On-Air Host, Aboriginal Voices Radio; Andrew McConnell, National Vice-President, Aboriginal Financial Services, Royal Bank of Canada; Percy Lezard, 4th Year Student, Social Work, Recent Recipient of Student Leadership Award, Ryerson University; John Longbottom, Aboriginal Market Development Executive, IBM Canada; The Honourable David Ramsay, Minister of Natural Resources and Minister Responsible for Aboriginal Affairs, Province of Ontario; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; Professor Ed Morgan, National President, Canadian Jewish Congress; Howard Green, Assistant Deputy Minister, Service Canada, Ontario Region, Government of Canada; Hanita Tiefenbach, Director, Intergovernmental and Aboriginal Policy Branch, Ontario Ministry of Health; and Robert Mainville, Partner and National Leader of the Aboriginal Law, National Practice Group, Gowling Lafleur Henderson LLP.

Introduction by John Niles

Mr. Fontaine is Anishinabe from Sagkeeng First Nation in Manitoba. He has dedicated most of his life to the advancement of First Nations people. From the beginning as a First Nations youth activist with the Canadian Indian Youth Council, Mr. Fontaine has been an advocate for First Nations rights.

In 1973, he was elected chief of his community for two consecutive terms. Upon completion of his mandate as chief, Mr. Fontaine and his family moved to the Yukon Territory to serve as the Regional Director General with the federal government. In 1980, Mr. Fontaine returned to Manitoba to complete his degree in political science at the University of Manitoba. Upon his graduation, he worked for the Southeast Resource Development Council as a Special Advisor to the Tribal Council, which was followed by his election to the position of Manitoba's Vice-Chief for the Assembly of First Nations.

He is a visionary leader and has been instrumental in facilitating change. He attended the residential schools of Sagkeeng and Assiniboia, and was the first Aboriginal leader to publicly expose the shocking abuses that existed in secrecy within the residential school system. While Chief of Sagkeeng, his belief in the autonomy and treaty rights of First Nations resulted in the establishment of Canada's first locally controlled education system, child and family services and the first on-reserve alcohol treatment centre.

In 1991, he was elected Grand Chief of the Assembly of Manitoba Chiefs and served for three consecutive terms. Working together with Manitoba's First Nations communities, Grand Chief Fontaine was instrumental in the defeat of the Meech Lake Accord, the development of Manitoba's Framework Agreement Initiative and signed an Employment Equity Agreement with 39 federal agencies.

In 1997 he was elected National Chief of the Assembly of First Nations and continued to provide exemplary leadership in the advancement of First Nations issues. Some of the milestones of his leadership include the federal government's Statement of Reconciliation, First Nation involvement in the federal government's Clarity Bill, the Declaration of Kinship and Co-operation of the Indigenous and First Nations of North America and the development of the CGA Canada Memorandum of Understanding. He built bridges between the First Nations of North America with the Declaration of Kinship and Co-operation of the Indigenous and First Nations of

North America and was the first Native leader to address the Organization of American States. His belief in creating an inclusive Assembly of First Nations ensured that all AFN information was accessible to French-speaking Chiefs of Quebec through the provision of translation services.

Following his term as National Chief of the Assembly of First Nations, Mr. Fontaine was appointed Chief Commissioner of the Indian Claims Commission. One of the many achievements of the Independent Claims Commission under his term was the resolution of Kahkewistahaw First Nation's outstanding 1907 land claim, resulting in a $94.6-million agreement for the Saskatchewan band. In May 2003, Mr Fontaine resigned from his appointment with the ICC in order to run for the national chief's position.

In July 2003, he was re-elected National Chief of the Assembly of First Nations. He was awarded an Honorary Doctorate of Laws from Royal Military College in 1999 and an Honorary Doctorate of Laws from Brock University in 2004. He was made a Member of the Order of Manitoba in 2004.

Mr. Fontaine is a wonderful role model and brings a wealth of experience at the local, regional, national and international levels in working for First Nations communities. He is a charismatic leader with a proven track record in delivering results. Please join me in welcoming the National Chief, Mr. Fontaine.

Phil Fontaine

Introduction

Thank you for inviting me to speak to you today. I want to take this opportunity to discuss some critically important issues—issues which affect my people, as well as the country as a whole. But first a few words about who I am and what I do.

I am the National Chief of the Assembly of First Nations, otherwise known as the AFN. The AFN represents all First Nations citizens in Canada from coast to coast to coast, wherever they reside. Currently, statistics show that 57 per cent of our people—some would say closer to 60 per cent—live on reserves. The rest—just under half—lives in towns and cities.

"First Nations" is the collective term we use to describe ourselves. Government agencies would call us "status Indians" or "North American Indians." We are one of the three legally recognized Aboriginal peoples in Canada, the other two being the Inuit and the Métis.

I do not speak for the Inuit or the Métis—and that is how it should be. We each have our own distinct legal, cultural, political, and historic realities and we each have our own national organizations. This point was emphasized at the recent First Ministers Meeting on Aboriginal Issues held in Kelowna last November when all three groups told the First Ministers that a "pan-Aboriginal" approach will not work. Each group requires a distinct plan in order to effectively address their unique needs and priorities. As First Nations, we require a First Nations plan.

The First Ministers Meeting

The First Ministers Meeting on Aboriginal issues was historic. Never before had all the First Ministers come together for the sole purpose of discussing Aboriginal issues with Aboriginal leaders to find a way forward to the mutual benefit of all. More important than the symbolism of the moment, however, was the outcome of the gathering because it provided a roadmap for the future, a plan for progress and prosperity for all Canadians, a plan which must now be implemented. This is a legacy project for the entire country, an historic undertaking for our generation.

Let me tell you a bit about how this roadmap came about.

Two years ago I issued a challenge to all Canadians to work with us to "close the gap" in the quality of life that exists between First Nations and other Canadians within 10 years.

What do I mean by "the gap"?

"The gap" is the clear and measurable difference between the quality of life enjoyed by most Canadians compared to that experienced by First Nations citizens. Consider the following:

We die earlier than other Canadians. Almost one-quarter of our people live in over-crowded, unhealthy homes, which breed disease. Tuberculosis for example is eight to 10 times more prevalent in our communities than it is in the rest of Canada.

The social consequence of these living conditions is despair. Youth suicide is of epidemic proportions in our communities. It is the leading cause of death of our young people between the ages of 10 and 24. This is five to six times higher than the suicide rate of non-Aboriginal youth.

From an international perspective, Canada ranks eighth on the United Nations Human Development Index. First Nations rank 63rd on that list.

Within Canada, a government study, which ranked Canadian communities, found one First Nation in the Top 100 Canadian communities. In the Bottom 100, there were 92 First Nation communities.

People find it incomprehensible that these conditions persist in spite of increased government spending. So what is the problem?

The 2-Per-Cent Roadblock

One of the most crucial problems is the 2-per-cent roadblock. While the Indian Affairs budget increases each year, the increase is capped at only 2 per cent. This has been the case since 1996.

Transfers to the provinces, on the other hand, have been growing by 6.6 per cent each year. That's more than triple the annual increase for First Nations budgets.

This 2-per-cent cap is not widely known but it has profoundly impeded our ability to move forward.

For one thing, the 2-per-cent increase per year does not keep pace with inflation or population growth. For another, First Nations have lost 14 per cent in real purchasing power since the cap was imposed.

At the same time the cap is paralyzing growth in our economies. More and more programs and services are downloaded to our governments with no corresponding resources to implement them. Our leaders are forced to do more, with less. They have to make ridiculous choices between building houses or keeping the fire-engine working. Who do you place at risk?

The effect of the 2-per-cent cap is real and devastating. Prior to 1996, there was measurable improvement in our quality of life; the gap was closing. But in 1996, when the 2-per-cent cap was imposed, the improvement stopped. To this day we continue to lag behind Canadians in every significant measure. The disaster, in other words, is manmade.

So one solution is more equitable spending so that First Nations citizens are not disadvantaged just because of who we are.

But we also need better, more strategic spending. We need spending that is based on strategic "investments." Right now, we are pouring resources into a hobbled system, which cannot compete.

The way forward requires breaking new ground and abandoning methods, which we know are not working, and have never worked for our people. We must strike out on a new path.

This new approach must include coming to grips with long-standing structural issues between First Nations and Canada. Eliminating poverty and creating a better life for our people will not happen if we do not address the historic rights of First Nations, our "inherent Aboriginal and treaty rights," that are enshrined in section 35 of Canada's Constitution.

For more than a century, First Nations systems of government and nation-to-nation relations have been ignored. We have lived with the devastating impacts ever since.

Social theorists have demonstrated over and over again that poverty is the consequence of systemic structures. This is why quick fixes, short-term investments or, worse yet, blaming the victims will never work.

Poverty can only be undone by dismantling the structures that created it in the first place; structures like the Indian Act.

Improving our quality of life is directly connected to our ability to govern ourselves.

Studies have shown that when First Nations are more autonomous there are lower rates of youth suicide. This makes sense. When people are engaged in the life of their community, they have control over their destiny. Hopelessness is replaced by hope.

The Harvard Project on American Indian Economic Development found that the difference between communities which prospered compared to those that did not was self-government. The researchers identified three key elements to economic success:

- The first is practical sovereignty, which means real decision-making power in critical areas of governance like internal affairs, resources, and development strategies.
- The second is capable governing institutions—institutions that exercise power effectively, responsibly and reliably.
- And the third is cultural match. This means that the institutions of government match cultural conceptions of government and authority.

In our situation, we do not govern ourselves. We simply administer federal programs and services. If we had self government, we would develop our own institutions and modes of operation and set our own strategic direction.

This is what we need to do. We must build strong and capable and accountable governments and take greater ownership and responsibility for the consequences of our decisions.

Accountability

Accountability is a key aspect of capable governance, which the First Nations want to improve. Right now, the system of accountability between First Nations and Canada is meaningless and time-consuming. Literally hundreds of reports are required on a daily basis, most of which are never read.

The AFN is pursuing an initiative called Accountability for Results, drawing on key principles identified by the Auditor-General, which include:

- The need for clear roles and responsibilities for all parties;
- The need to provide appropriate resources and capacities so the responsible party can meet its responsibilities; and
- Better reporting that assesses results and provides for change, when necessary.

In the longer-term, the AFN is working with the Auditor-General of Canada to establish a First Nations Ombudsperson, and a First Nations Auditor-General.

Our overall approach aims to make the system more efficient and effective.

The First Ministers Meeting

All of the ideas I have just mentioned were discussed at the First Ministers Meeting in Kelowna. We specifically focused on the key issues of education, economic opportunities, health, housing and infrastructure (including drinking water) and accountability

The First Ministers agreed to certain new commitments in these areas amounting to more than $5.2 billion in spending over five years.

These important new commitments were endorsed by everyone at the meeting, including provincial and territorial political leaders, and the leaders of Aboriginal organizations—an unprecedented consensus.

We must not un-do that which has been done. This is an agreement with Canada, and it is not only good for Aboriginal peoples, it is good for Canada.

The First Ministers Meeting agreements are a first step towards creating a stable foundation for future growth—a beginning, not an end.

We secured commitments to on-going meetings—First Ministers Meetings as well as meetings with key ministers—to make sure that we can continue to forge ahead on all our priorities.

The Reasons To Act

We now have a new government in Ottawa. The Prime Minister and the Minister of Indian Affairs have agreed generally to the targets and commitments from the First Ministers Meeting, but we must act immediately or the 10-year timeframe to achieve our goals will slip away.

I believe we can work with this new government to honour and implement the First Ministers agreements, as well as the historic agreement we achieved on reconciliation for residential schools survivors.

Both represent unprecedented levels of consensus amongst diverse parties. Both agreements represent new approaches that are fairer, more just and, yes, more cost-effective than past government approaches.

Taken together, they represent an opportunity to walk out from under the shadow of the past and into a brighter future for all Canadians.

There are many reasons to act: justice, the honour of the Crown and working together to make Canada the fair and just country we imagine it to be.

But there are many other compelling reasons, and a major one is the economic well-being of this country.

In 1996, the Royal Commission on Aboriginal Peoples estimated the cost of lost productivity under the current system was $7.5 billion. In other words, First Nations could be contributing this amount to the economy if we had better ways to harness our potential.

There couldn't be a better time. Canada is facing a labour shortage within the next decade. By 2016 there will be more Canadians leaving the work force than entering it.

The exception is our population. They are coming of age as the rest of the country is aging.

The Canada West Foundation has correctly stated that the public and private sector must reach out to our young population to ensure they are educated and equipped to take their place as the drivers of the economy.

They recognize that we cannot compete globally if we are losing our work force. We cannot compete globally if industry loses its access to lands and resources.

We have seen in the current Mackenzie Pipeline debate how a billion-dollar project can be stalled if we do not deal with the First Nations involved. The Supreme Court says that Canada has a duty to consult, even where Aboriginal title is not clear.

Our people are not anti-development. We do want to ensure that development is responsible, sustainable and we want to share in that development. This is not just about money. This is about resource-revenue sharing. This is about jobs, training, a better life and a better future.

Our people also want to be engaged now more than ever in the wider political landscape. For example, in the last federal election we had the greatest turnout of voters than we have ever had before. We want this to continue. The AFN is working with Elections Canada to continue to promote voter participation at every level of the democratic process so that our people better understand their potential political clout and their ability to influence political decision making.

This is crucial when we see what the future holds for Canada and the need to seek our rightful share.

Don Drummond, Chief Economist for the TD Bank, said in a report last month that Canada could hit the "revenue motherlode" in this year's budget. He is forecasting an extra $3 billion in federal revenue for the 2006–2007 fiscal year and almost as much in 2007–2008.

I have seen calculations indicating that the energy, forestry and mining sectors contribute $141.8 billion to Canada's economy. Much of that economy would not be available to Canada if our ancestors were not willing to strike honourable agreements to share in the riches of this beautiful land.

We are entitled to a fair share of the nation's prosperity. That is what our treaties say. That is what the Supreme Court says. And that is what our elders say. And increasingly, that is what Canadians say.

We have the resources, we have the means and, most importantly, we have the plan.

We are not one of the government's top-5 priorities. We saw the Speech from the Throne this week. I was disappointed but not surprised by the lack of references to our issues and our agenda.

We will be watching the federal budget to get a better sense of this government's agenda. We will press for a progressive, collaborative agenda for change.

I believe we can begin to write a new chapter in our history, one based on mutual respect and mutual reconciliation. We will need your support and your voice. This is about strong and healthy First Nations and a strong and vibrant Canada.

This country was founded on sharing and respect. Those values that we embraced in the past point the way to a better tomorrow. Now more than ever, the future of First Nations is the future of Canada.

I hope you will join us in this historic undertaking to "close the gap" and begin a new journey together.

Meegwetch!

The appreciation of the meeting was expressed by Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada.

Chief Phil Fontaine, National Chief, Assembly of First Nations, and Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada.

April 11, 2006

General Rick Hillier

Chief of the Defence Staff, National Defence Headquarters

THE MEN AND WOMEN OF THE CANADIAN ARMED FORCES

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada; Samantha Azzarello, Grade 12 Student, Riverdale Collegiate Institute; Col. Robert G. Douglas, KStJ, CD, FCSI, Honorary LCol., Toronto Scottish Regiment, Vice-President, Investment Advisor, CIBC Wood Gundy, and Former Director, The Empire Club of Canada; Col. Garry R. Stafford, CD, Commander, 32 Canadian Brigade, Land Force Central Area; Col. R. W. Deslauriers, CD, Deputy Commander, Joint Task Force Central, Land Force Central Area; Capt. Monique Roumy, Padre, 25 Service Battalion, 32 Canadian Brigade, Land Force Central Area; MGen.(Ret'd) Reginald W. Lewis, CM, CMM, CD, Former Chief of Reserves, Former Hon. Col., The Royal Regiment of Canada, and Past President, The Empire Club of Canada; The Most Rev. Andrew S. Hutchison, Archbishop and Primate, Anglican Church of Canada; Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada; Col. Peter W. Hunter, CD, Colonel Commandant, Royal Canadian Armoured Corps, Former Co-Chair, Reserves 2000, and Former Director, The

Empire Club of Canada; Capt. (Ret'd) Rod Seyffert, CD, Toronto Managing Partner, Gowling Lafleur Henderson LLP; Col. J. H. Vance, CD, Chief of Staff, Joint Task Force Central, Land Force Central Area; and Blake C. Goldring, Honorary Col., The Royal Regiment of Canada, President and CEO, AGF Management Limited.

Introduction by William Whittaker

While we have had a number of defence ministers speak at the Empire Club in recent years, it has been 30 years since a Chief of the Defence Staff addressed us, so General Hillier's speech today on the activities of our Canadian Forces, both nationally and internationally, is timely.

Canadians have a proud military history and we contributed well out of proportion to our population to the allied victories in World Wars I and II. During the Cold War, the standoff between the West and the Soviets resulted in a stalemate; every country knew which side they were on and acted accordingly. Canada, as a member of NATO and NORAD, was solidly in the Western camp.

This relative stability evaporated with the demise of the Soviet Union in the late '80s. With Cold War constraints removed, accumulated old grievances from the Balkans to Africa, from Kurdistan to the Caucasus and Indonesia exploded with internal conflicts and the United Nations Security Council couldn't adjust to the new challenges.

What followed was 10 years of unmitigated disasters for the Security Council and the world. First was the Security Council's tentative response to the all-out war in the Balkans. Second was an initial UN force in Somalia so weak that the UN troops couldn't leave their camp in Mogadishu until an intervention force rescued them, followed a year later by the UN abandoning the entire mission. This was followed by the genocide in Rwanda and the unrest in East Timor and so on.

With the Security Council's multilateral security arrangements falling short, other multinational organizations such as NATO, the OAS and the OSCE (Organization for Security and Co-operation in Europe)—Canada is a member of all of them—have become active in providing regional security. In addition, the Canadian Forces have the important task of securing our nation at home, particularly the challenges to our sovereignty in the North and, lest we forget, the defence of North America with the United States.

This is a full plate for our military who have to deliver the goods respecting our international, continental and national commitments.

While some people have argued that a disconnect developed between the Canadian Forces and the Canadian public in the mid-'90s after our experience in Somalia, that is no longer the case with our agile, adaptable and credible military of today. Public opinion polls indicate Canadians are proud of and support our military and want additional resources made available to them to fulfill their multitask mandate.

General Hillier has played a large part in reestablishing this reconnect between Canada's troops and its citizens with his communication skills, energy and enthusiasm, which will be demonstrated today. I attended General Hillier's breakfast speech this morning and if 30 years younger would have signed up!

A native of Campbellton, which overlooks Notre Dame Bay in Newfoundland, General Hillier's interest in military life began at age seven when he corresponded with the Canadian Forces and received a reply inviting him to join. He didn't actually join until his graduation from Memorial University in 1975, his first regiment being the 8th Canadian Hussars (Princess Louise's own), an armoured regiment based in Petawawa, Ontario.

Subsequently, he served with and later commanded the Royal Canadian Dragoons in Canada and Germany and was the commander of the force that aided the civil authorities in the Quebec and Eastern Ontario ice storm of 1998.

General Hillier's multilateral tours of duty are impressive. After serving in the former Yugoslavia in 1995 and Bosnia in 2000, General Hillier was appointed Commander of the NATO-led International Security Assistance Force in Kabul, Afghanistan, in October 2003. In Kabul, he kept up morale by regularly invoking "Rule 9" at the end of meetings which meant someone had to tell a joke before the meeting could disband. Perhaps, General Hillier will invoke Rule 9 during his speech today!

Since becoming Chief of the Defence Staff in February 2005, General Hillier has become Canada's point person on Afghanistan and is of much interest to our media and demonstrators. General Hillier even arranged to have a Taliban bomb go off in his vicinity on his last visit to Afghanistan to spur further media interest.

General Hillier's sense of humour is well known and is evident in his official biography, which ends with the sentence: "General Hillier enjoys most recreational pursuits, but, in particular, runs slowly, plays hockey poorly, and golfs not well at all." General Hillier is a Toronto Maple Leaf's fan.

Please join me in welcoming General Rick Hillier, Chief of the Defence Staff, to our podium today.

Rick Hillier

Bill has given me an introduction here today which no one could live up to and I thank him for it. It was most gracious, most kind. As you go around and try to do your job and deal with people and communicate the great work that our men and women in uniform do for our country you get introduced many times and it is always interesting to watch.

I was introduced once as an admiral in the United States Navy. I think it was the wide stripe of the general officer on the army uniform that looked vaguely navy that might have confused him.

I was introduced once at Fort Henry in Kingston as being a life-long artilleryman. Now those who know me know that I am a Cavalry officer. I was brought up in the Cavalry and that was a body blow that I took.

When I took over the division in Bosnia in 2000, I was introduced as a Dutch major general and I can only chalk that up to the fact that I am a Newfoundlander, as Bill has said, and maybe I was a little difficult to understand because of the thick accent.

A little while ago in January after we had announced some changes in our physical fitness regimes and how the Canadian Forces were going to be fitter and healthier and more deployable, I was introduced in an article in the Halifax Chronicle as General Jenny Craig.

The most memorable introduction was when I was invited out by a group of our tremendous veterans from World War II. I was absolutely privileged to be there and these were men who were supported by their wives, men of pragmatic and common sense. We had a head table and one of those relatively mature veterans was going to introduce me. He had a little bit more than his allocation of triple Scotches before dinner started and being absolutely practical said, "General Hillier, would you introduce yourself?" So I did and it was the most complimentary introduction that I've ever had.

I am a Toronto Maple Leafs fan and I come to Toronto fairly frequently on a variety of activities with the Canadian Forces and I've got to know a lot of folks around here. We had a visit in January from General Peter Pace who is the Chairman of the Joint Chiefs of Staff in the United States of America. He came up on a Friday and went back on a Sunday morning and we did a lot of work talking about how we can work together in a practical appropriate manner to the benefit of the citizens in both of our countries. I said to Peter and his wife Lyn, "While we're here, while we're doing this discussion," and we spent a lot of time meeting and going through some pretty tough issues, "I want to show you a little bit of Canadiana." He had not been to Canada before. As we were in Toronto I said, "Firstly I want to host you to dinner at the CN Tower, an architectural marvel, very famous," but what I didn't count on was that Lyn Pace has a deathly fear of heights. So as we went up the outside elevator, we actually had to surgically remove her nose from that inside corner of the elevator. She certainly did not leap out on that see-through floor at 1,100 feet. It was a great evening.

I then said, "The second thing I want to do is to take you to see the world's best hockey team play," but unfortunately that night it was Phoenix that was in town and they beat the Toronto Maple Leafs five to three. We had the opportunity during the game to go down to the Leafs CEO lounge and after the game to actually go and meet Pat Quinn and some of the players. I talked to Pat Quinn who knew what we were doing and said, "I represent these great men and women and Pat, I would like you and some of your players and the Stanley Cup after the season's over to come to Afghanistan and just show your appreciation by your presence to those men and women who do such tremendous work for us." I immediately qualified the statement and Pat with the heart of a soldier understood. I said, "Pat, you and some of your players with or without that Stanley Cup, because the challenge of getting it over these next days is perhaps going to be great."

Dany Heatley on the Ottawa Senators says (I'm going to take full credit for this) they are cheering for Toronto to make the playoffs and he says while they have a tough time getting up for some of the other teams they have no difficulty getting up for Toronto. I take credit for now having all of the Ottawa Senators players as fans of the Toronto Maple Leafs.

I am glad to be here in Toronto and I'm going to talk this afternoon about three things which are near and dear to my heart; three things which drive everything in my life, drive my schedule, drive the work that we do, and shape the Canadian Forces going forward. That's transformation, operations, and connections with Canadians.

I want to start off and say this is not about me. This is about the men and women who wear a uniform—regulars and reserves and the civilians who support them.

- 62,500 regular force men and women in our country.
- 24,000 reservists—those who are true heroes who maintain a full-time and in almost all cases a civilian career and job and still dedicate enormous chunks of time and commitment to the Canadian Forces, serving Canada at night and on weekends, during their summer vacations, during Christmas and Easter breaks in a way that is absolutely incredible. I have all I can do to maintain a focus on one profession and those folks in the reserve component, those citizen soldiers, are in fact heroes of our great country.
- 20,000 civilians, who support everything that we do.

I know there are quite a few here in uniform, who have a connection with the Canadian Forces or the Department of National Defence. I'd like to introduce three of them and ask you to note these heroes of our country.

The first one I would like to stand up and remain standing for a minute or so is Master Seaman Marc Miller. Ladies and gentlemen, this is a submariner who came to us from Halifax. I have asked him to come here so I can tell you what a great individual he is serving our country as a submariner on the Atlantic Coast. On April 28 he will receive from Her Excellency the Governor-General the Meritorious Service Cross in a ceremony at Government House. Here's why. During the afternoon of October 5, 2004, Master Seaman Marc Miller was onboard HMCS Chicoutimi.

A major fire broke out on the submarine and it quickly filled with black acrid smoke and was left without power. His ingenuity, initiative, presence of mind, and dedication to duty in attacking and extinguishing the fire was crucial in the initial moments of the accident. Master Seaman Miller remained calm and focused throughout, assisting several crew members who became incapacitated and taking charge in a very challenging situation. Master Seaman Miller's actions were instrumental in preventing further damage to the submarine, saving that boat and leading to the saving of the 56 out of 57 souls on that boat. Ladies and gentlemen on that terrible day, that terrible time for HMCS Chicoutimi, we had 57 heroes but even in that group of heroes one individual stood above them—Master Seaman Marc Miller. Would you show appreciation to him for the kind of service he has given to our country.

I would now ask Master Corporal Norman Penny to stand. I want to introduce this soldier to you and I use the term soldier in a very generic sense. This is a proud member of the Royal Canadian Air Force, a Search and Rescue technician and of course since I speak today as a

Newfoundlander I wanted someone to come from Newfoundland to join us too. Master Corporal Penny came from Gander Newfoundland, where he is with the Search and Rescue squadron. I had the opportunity last fall, after being in Newfoundland and meeting some of the other crew members, to be at Rideau Hall with Her Excellency the Governor-General when she pinned on to Master Corporal Norman Penny the Star of Courage, our second-highest award for bravery and gallantry. Let me tell you why. On September 19, 2004, Search and Rescue technician Master Corporal Norman Penny risked his life to save four fishermen from drowning after their vessel capsized near Cape Bonavista in Newfoundland and Labrador during a storm in the aftermath of hurricane Ivan. Facing 10-metre waves, heavy rain and gale-force winds, the two rescuers made several life-threatening night descents from their helicopter to retrieve the victims from a life raft that was rapidly drifting towards the rocky shore. Despite a hoist failure, near-drownings from being forced under water by the panicked victims and suffering injuries from being tossed around by high winds and powerful swells, they volunteered to be lowered again to rescue the remaining crew members who had been washed up on shore along the cove and were trapped below the 25-metre cliffs. The tireless efforts of Master Corporal Norman Penny and his Search and Rescue buddy Sergeant Rogers ensured that four lives were saved. Sadly, two other fishermen perished during the ordeal. This is the kind of support we get from our Search and Rescue technicians in domestic operations in support of you and the other 32 million Canadians. Ladies and gentlemen, would you say thank you to this great individual right here.

And Master Corporal Doug Van Tassel came down yesterday afternoon from 2 Brigade in Petawawa Ontario, only about four hours' drive away from here. He has been at the Brigade since 1996. In fact I remember him well when I was there as a Brigade Commander. He serves in the Royal Canadian Regiment and Master Corporal Doug Van Tassel wears the Mention in Dispatches on his uniform. That is the equivalent of a medal and here's what he did. Master Corporal Doug Van Tassel was deployed with the Third Battalion of the Royal Canadian Regiment during Operation Athena in Afghanistan in Kabul. On January 27, 2004, he was driving the first of a two-vehicle patrol in southern Kabul when a suicide bomber attacked the second vehicle. In the face of adversity involving death and injury to his comrades Master Corporal Doug Van Tassel immediately provided site security ensuring there was no further threat. Let me tell you we are forever cognizant of the chances of a secondary attack when you respond to one primary attack. After conducting a cursory check of all soldiers ascertaining that one had been killed, he designated a casualty collection point and assisted the wounded to move to that point. He single-handedly provided first aid, protection and comfort to his wounded fellow soldiers. He remained at the scene until the body of his fallen comrade was extracted from the vehicle and then escorted Corporal Murphy's body back to camp. In the aftermath of this terrible attack Master Corporal Doug Van Tassel displayed loyalty, dedication, professionalism and bravery bringing great credit to the Canadian Forces and to Canada. Ladies and gentlemen, a true Canadian hero—Master Corporal Doug Van Tassel.

I thank you for recognizing these three superb individuals from across the Canadian Forces. We have tens of thousands more of them—men and women, regular and reserve, from all walks of life in Canada, from all walks of our population—who do this on a daily basis for you. These are three very special ones.

Whenever I speak about those soldiers and sailors and airmen and airwomen, I applaud their accomplishments because precious few others do. But I know that you cannot have those great soldiers and great sailors and great airmen and great airwomen without great leaders. And we have sometimes been a little bit embarrassed to talk about them but today I would like to highlight one great leader who is sitting here in this audience—Colonel Ian Poulter—right here in front of me. Stand up Ian. Colonel Ian Poulter is a good friend of mine. He is one of those great leaders commanding the First Area Support Group here in Toronto as part of Land Forces Central Area and has been doing a great job for you for several decades now in Canada and around the world including operations in the former Yugoslavia. He is a superb leader who helps give the context for those superb soldiers and sailors and airmen and airwomen to do their job.

This morning I sent out from Ottawa the General and Flag Officers promotions and appointments and messages for this year. I'd like Ian Poulter to come up here and I'd like to say that we are going to promote him to Brigadier General right now. Thank you for the opportunity to do it here. Ian is going to be unique in the annals of history. I've put a Brigadier General rank on his shoulder and he is still wearing the Colonel rank on his sleeve. This is the one that counts.

The Prime Minister as you know went to Afghanistan about a month ago. I had the opportunity to meet him. We had about 25 or 30 men and women in uniform waiting to greet him and welcome him to Kandahar and to Afghanistan on the tarmac. He was a little bit late so I had a chance to talk to all those folks. A dust storm made the plane 45 minutes late. I was sitting there chatting to them about a variety of things, laughing and talking to about 15 men and eight to 10 female soldiers. Out of those 15 men, nine of them had similar haircuts to Master Corporal Perry and Master Seaman Miller and I am trying to figure out whether my wife would like it if I did that. None of those folks knew who was arriving. We had a tight security blanket on and none of them knew who was arriving. They knew somebody was coming who we wanted them to greet. As the Prime Minister got off the aircraft one of our female master corporals said, "Sir, I'm really excited to welcome the Prime Minister, to meet the Prime Minister, I thought it was going to be Don Cherry."

Mr. Harper showed leadership going into Afghanistan, and his visit was immensely appreciated by the men and women on the ground. They were proud of him coming there and proud of him taking the time to focus on what they were doing and I'm very proud of the fact that he stayed there. He stayed for two nights in Taliban country so I commend our Prime Minister for showing leadership to the men and women for whom he now has responsibility.

Ladies and gentlemen, we're into a whole new dynamic in the Canadian Forces as we go forward trying to be relevant for what you need done as Canadians and what our country needs done to be able to respond when we are needed and of course to be effective. We are changing every single thing that we have been doing. We are moving from a Canadian Forces of the last 50 years that has been focused on a Cold War threat coming from the Warsaw Pact. Everything that we have done—training, equipment, education, leadership, structure, preparation and thought process—has all been designed to defeat a mechanized attack coming across Northern Europe to defeat a Warsaw Pact fleet in the North Atlantic and to engage in combat air to air with high performance aircraft from the Warsaw Pact. Now all of a sudden with a great turn of events we have found ourselves having to conduct operations to counter something at the other end of the spectrum, completely different from that Warsaw Pact threat.

The chaos that we encounter on international operations and the kind of threats that you see occasionally from terrorism or the organized crime challenges that grow up in countries that have failed and the insecurity and the instability that we encounter everywhere on the international scene in those failed and failing nations is vastly different from what we were prepared for. So as part of our transformation we have developed and articulated a Canadian Forces vision building a Canadian Forces that can be relevant and effective and responsive in that kind of contemporary operating environment.

We are building a Canadian Forces to get the right effect for Canada. Not one small operation being done by the Army over here or one small operation being done by the Navy over there and yet a third one done by the Air Force, none of which are big enough to appear on the radar screen anywhere in the world. And none of which gets us leadership positions and none of which gets us the opportunity to shape those developing areas in accordance with our interests and with our values. What we are after in an integrated Canadian Forces is that on any mission our country wants us to do, we are going to have a larger effect by operating as a Canadian Forces with an integrated command structure and equipment. We will actually work together to give you the benefit worldwide of the effect that we bring as part of the Canadian commitment.

Our vision is simply that. Canada first is our team. It is not a political team for us. It is everything that we do in that transformation for Canada. We have made organizational changes. Just one of those to allow us to be effective and responsive and relevant to you is to stand up and establish Canada command. To give a focus and a precision on being prepared to help Canadians in need, when they need it most at home here in Canada. We know that our responsibility to protect starts right here in this great country of ours.

We are not after the role of first responder. That's not where we want to be. We have an incredible structure across our country of police forces and fire departments and health services and volunteer fire departments, all of which provide that great structure. And let me tell you having travelled around the world, I know that here in Canada we have the most professional and capable and trustworthy police forces in the world. We are not after their role. We don't even want to be the second responders but what we want to be is when Canadians need us we are the third or fourth responders of the first order and we are ready to do our business.

We are also after more than organizational change to allow us to implement our vision. We are after some very real things, some capabilities brought into the Canadian Forces. We have gone through a period where our aircraft and our ships and the fleets of land vehicles and the major systems that we have have all deteriorated and we are putting our house in order with some very clear priorities of what we need. And we are asking the government of Canada to take action on those priorities and deliver to us that airlift, that joint support ship, and the trucks that we need and the vehicles that we need to enable our soldiers to do the job. We need an acquisition process that can deliver in time. If we want a helicopter we don't need it 15 years from now in Afghanistan. We don't need it in 10 years or five years. We need that helicopter in the very near future and actually by September would be quite good. I'd be very happy with that.

And ladies and gentlemen I'm not ashamed to say we need money. We are still not back to the 1991 funding levels of the Canadian Forces. We can do a lot of things with a vision, a lot of things with organizational changes, a lot of things on the backs and shoulders of men and women like this, but we can't do nearly enough without the money to allow the Canadian Forces to be a relevant and responsive and effective Canadian Forces.

The last thing I have to tell you is we need recruits. We need Canadians. Now there have been a lot of naysayers out there who don't believe that we can actually recruit the number of men and women that we need. This past year, the fiscal year from April 1 of last year to March 31 just past, we had set a goal of 5,627 new recruits. That allowed us to meet attrition and to grow by 500 soldiers, which is all the money that we had for increased growth. As of the end of March 31 we were at 106 per cent of target. In fact, we succeeded even with our dinosaur methods of recruiting, even with our slow and ponderous and painful process, because I believe that most young Canadians can see and feel the excitement that I and these men and women who are here with me today feel and believe and see in what we do.

If you want to fly high-performance aircraft, come and see us. If you want to sail the seven seas in the world on high-tech ships, come and see us. And if you want the physical and mental challenge and the immediate satisfaction of facing a Taliban whilst helping folks actually get on with their lives, come and see us. There's nothing in the spectrum of human endeavour that we don't have a little something to do with. We know we can challenge Canadians and we know that when our message goes out they'll be coming to us in droves. We know we will be able to recruit.

Just let me talk about operations in Afghanistan. Every day we conduct operations here in Canada whether it's Search and Rescue operations that I referred to or whether it's routine help to communities across Canada for a variety of events, or whether it's assisting a police force encountering drug operations. We conduct operations here in Canada that you don't even see. We conduct operations as part of NORAD, working with the United States of America. We conduct operations right now in 19 different countries around the world, such as Africa and the Middle East and we are obviously focused right now on Afghanistan where we have some 2,300 uniformed men and women.

Everybody watched the debate last night, all four hours of it. I confess to the fact that I didn't watch it all myself but there were some good indications that came out of that debate last night for our soldiers and for Canadians in general. Let me tell you as a soldier representing men and women in Afghanistan, those who have been there, those who are there now and those who are getting ready to go this summer, how I see it. We are in Afghanistan for some very simple straightforward pragmatic Canadian reasons. We are there first of all because we are defending Canada and Canadians. Canadians were killed, 24 of them, on September 11, and Canada remains on a list of countries targeted by Al-Qaeda and other terrorist organizations. We are part of defending Canada and defending Canadians. We refuse to accept terrorism as a way of changing our societies and the international order.

We are in Afghanistan as part of a significant multinational effort. Thirty-seven different nations have deployed military forces into Afghanistan. We are supporting a United Nations mission and the Secretary General Kofi Annan articulated superbly why he wanted international troops deployed into the southern part of Afghanistan and around the rest of the country. We are there to help Afghanistan and to support his mission. We are there as part of a NATO mission. We are founding members of NATO and we are supporting NATO's stated aim to support the Afghanistan government by expanding its mission to the southern part of that country. In fact, all of our operations will enable that to occur by the end of July this summer.

But more importantly to put a face on it, we are there to help men and women rebuild their families after 25 years of violence with two million people killed and six to eight million people driven out of their country. In the most destitute circumstances possible, families were destroyed. We are there to help those men, women and children actually rebuild their lives so that maybe tomorrow, next week, next month, next year, things will be a tiny bit better. We're helping families come together to rebuild their communities; communities where the security is good enough so they will not be killed by a suicide bomber as they go out shopping for food for their families; and where schools are open and children are back in them and teachers can teach without fear of being killed and once they're killed decapitated because they have taught little girls. We've made progress on that one. Six million children in Afghanistan are back in school. Maybe we can help them build a standard of health care so that 25 to 30 per cent of the children do not die before the age of five. We are there to help communities come together and support Afghanistan in becoming a nation based on the constitutions that they have laid out and based on a president that they have elected, and based on a Parliament that they have chosen in democratic elections for the first time ever in their country. We are there to help that country become a part of a more stable and coherent region, one that has been inherently unstable over the past decades and a region that has been the source of most of the opium that flows into western societies over the past four to five years. If you want to talk about a weapon of mass destruction, albeit one with a slow burning fuse, that would be the 40,000 tons of opium being produced in the region.

In short, we are in Afghanistan for good Canadian reasons supporting our interests and protecting our values. We try to communicate that everywhere we go. Our soldiers don't mind debates, they don't mind discussions, they are all in favour. Do you know what they tell me when I go to visit them? "Sir, the debate is over here. We're committed. We're on the ground. We're doing the job and we're putting ourselves at risk." They need the support of Canada to do that.

One of our ways to communicate that was taking Team Canada into Afghanistan. A little while ago I took in about 15 people including some of our defence stakeholders and supporters like Lew Mackenzie. We also took in four prominent Canadians including Rick Mercer and Guy

LaFleur. It was an incredible way to do something because the soldiers and sailors and airmen and airwomen got involved and engaged with them. When they went back to Canada we had constant help in communicating what the forces were doing in Afghanistan and why it is so important to our nation. We are going to continue to support the men and women in Afghanistan.

The contingent in Afghanistan is the best-equipped contingent in that country. Out of 37 different militaries ours is the best-equipped contingent. From their boots, to their combat uniforms, to their knee pads, to the flak vests that protect them, to the GPS devices that allow them to know where they are, to the ballistic eye protection that has saved the eyes of many Canadian soldiers in some of those attacks, to the personal radios that they have that allow them to communicate across from section to section, to their Kevlar helmets, to their weapons with laser and night sights and to the night sights on their helmets, they are the best equipped soldiers in the world.

Everything we do is based on Canada first. Everything we do is for our country. Secondly, our entire raison d'être is to help protect the weak and the vulnerable in the worst days of their lives when they have nobody else to turn towards and when they desperately need help. I cannot tell you in the time that I've spent in Afghanistan how many thousands of Afghans have directly told me, "Sir, don't go away. You are the only thing between us and total chaos. We have nothing else going for us at this point in time." A young Canadian soldier represents a candle of bright light of hope to them.

We are Canada's pride. I think it was the Winnipeg Free Press that had a headline on April 13 last year, which said that the forces are back in fashion. We believe that and we believe that it is time that Canadians recognize it and recognize the individual men and women who serve our country in all three uniforms, who serve our country in Canada, who serve our country around this continent and who serve on those high-risk dangerous operations on the high seas, in the icy skies or on the mountains and hills of Afghanistan itself.

Those young men and women are incredible people. We look after them pretty well but we need to do an even better job. They are volunteers but their families are not. And many of those families come to the military and the Canadian Forces way of life very early when the energy and enthusiasm of youth understate the commitment and sacrifice that might be required. When you stand at Trenton and you meet a young widow and talk to her about her 14-month old son who is never going to know his Dad and when you meet the Mum and Dad of that young soldier, you understand what a debt we have to them and how much we must support that family in all that they will go through.

Ladies and gentlemen I am delighted to represent all those men and women in uniform and the civilians who support us. I'm your Chief of Defence Staff. I actually believe in my heart of hearts that those young men and women are the credentials of our nation, are Canada's treasure. I'm proud to be their Chief of Defence Staff and I am delighted to be yours. I'm going to close with one reading and then I'll get out of your hair and you can carry on with your afternoon.

One of the soldiers who was wounded pretty badly in Afghanistan in January in the attack that killed Glen Barry was Private Will Salikin. Private Salikin's Mum is an incredible lady and she wrote a letter to our soldiers.

> *To the men and women in the provincial reconstruction team in Kandahar:*
>
> *My name is Colleen and this is written to you from Landstuhl, Germany.*
>
> *I am with my son Will or, as you fondly call him, Sal. It has been in my heart these past days to sit and write you and try and express in words what I feel. Will is okay and*

he will be back in Edmonton soon. He is one pretty tough kid and I know with no hesitation that he will be just fine. He has given us several good signs and he continues to improve with time even if it is slow. Even though he has a biological family, Will has another family, a much larger one full of caring brothers and sisters—you his comrades—and over these past several years Will has often spoken of how strong the bond has grown between everyone, how proud he is to be serving with you and how proud he is to be a Canadian.

During the last few days I have had the honour of knowing that I am part of this awesome Canadian Armed Forces family. The incredible caring and support and protection that have been given to my family is like nothing I have ever experienced in my entire life. I am so blessed. Thank you for the unbelievable skills, kindness and support of all the Canadians and the American doctors and staff, assisting officers and escorts and others. Thank you from the bottom of my heart for the gift of my son.

It is good to know that more Canadians are starting to speak up for support of their Armed Forces. It is so good to feel this country uniting under a common bond. Many churches have been holding you and your comrades and your families up in prayers since your departure from Canada and have committed to continue that until you return home.

I want to thank each and every one of you from the bottom of my heart and tell you how proud I am of you and that you are most dear to me. Down the road I look forward to meeting with you and promising a hug to each and every one regardless of rank. I guess that is one good thing about not being in the Canadian Forces; I can do that.

When you get back to Canada pop by and say hello to Will. It will cheer him a lot and probably yourselves as well. Bless you all and when it is time safe journey home.

Private Will Salikin was in Ottawa last week and was one of the soldiers who sat on the Senate floor as our Excellency the Governor-General read the Speech from the Throne and was recognized by our Prime Minister, Her Excellency, Members of Parliament and Senators as the true Canadian hero that he is, on his way to a complete and full recovery, proud of what he has done, proud of being a Canadian soldier and proud of being a Canadian.

Thank you.

The appreciation of the meeting was expressed by Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada.

The Most Rev. Andrew Hutchison, Archbishop and Primate, Anglican Church of Canada, General R. (Rick) J. Hillier, CMM, MSC, CD, Chief of the Defence Staff, National Defence Headquarters, and Edward Badovinac, CET, KH, MMLJ, Retired Professor, GBC, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook.

April 19, 2006

Thierry Vandal

President and CEO, Hydro-Québec

HYDRO-QUEBEC'S RESULTS 2005, PERSPECTIVES 2006

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Alicia Quintanilla Perez, Grade 12 Student, Oakwood Collegiate Institute; Father Jean-Martin Mabozi, Church of St. Michael the Archangel, Scarborough; Paul Bradley, Vice-President, Generation Development, Ontario Power Authority; Adam S. White, President, Association of Major Power Consumers in Ontario; James Gillis, Deputy Minister, Ontario Ministry of Energy; Jo-Ann McArthur, President and COO, Pigeon Branding + Design, and Director, The Empire Club of Canada; Jim Burpee, Executive Vice-President, Corporate Development, Ontario Power Generation; Shane Pospisil, President and CEO, Ontario Energy Association; and Marcel Côté, President, SECOR Consulting.

Introduction by William Whittaker

Thierry Vandel is the third speaker in our luncheon series entitled "Canadian Industry in a Global Economy" which focuses on the challenges Canadian businesses face in a rapidly changing world.

The series sponsor is Secor Consulting, the largest independent strategy-consulting firm in Canada, which is celebrating its 30th anniversary this year.

When William Gladstone, the great nineteenth-century British statesman, asked Michael Faraday, the discoverer of electromagnetic induction and the inventor of the storage battery, about the usefulness of electricity, Faraday responded, "Why sir, there is every possibility that you will be able to tax it." And so electricity, like taxation, has been part of government policy and planning since the early years of the last century, at least in the province of Ontario.

Electricity deregulation has been a subject occupying the mindset of our North American governments for the past 15 years. It takes its genesis from the 1990 deregulation and privatization of the United Kingdom's electrical market by the Thatcher government and has paralleled the deregulation of the North American natural gas market. While the process followed by the British was used as a model or at least a catapult for electricity deregulation in many states and provinces, North American market deregulation occurred without the widespread privatization that characterized the U.K. example.

North American experience respecting the introduction of competition into the electricity market has been mixed. While the ongoing trend continues to be toward deregulation and the introduction of competition, the 2000/2001 major failures of the California electricity crisis and the Enron debacle has caused a slowdown in the pace of change.

If the challenge of deregulation and competition are not enough, our electrical utilities are now faced with the consumer-driven demand for renewable electrical energy or green power. Electrical utilities now have the task of educating their consumers that while green power can be part of the marketing plan, it can never replace the requirement for cheap base load power, such as water or nuclear generated power.

While we have had many speakers talk about our Ontario electricity industry over the years, we have never had an electricity industry speaker from another province or state. We remedy this omission with today's speaker who is the President and Chief Executive Officer of Hydro-Québec.

I quote from Konrad Yakabuski's April 13th column in the Globe and Mail Report on Business, which I hope does not embarrass Mr. Vandal unduly: "As chief executive of Hydro-Québec, the world's biggest hydroelectric utility, Thierry Vandal holds the fate of the provincial economy in his hands. Quebec's industrial development strategy is largely determined on the 20th floor of the Hydro-Québec tower in Montreal.

Running Hydro-Québec is mind-numbingly complex. The utility is monstrous, with about 35,000 megawatts of installed generating capacity—95 per cent of it from hydroelectric sources—and colossal dams that remain awesome feats of engineering prowess. It takes 33,000 kilometres of high-voltage transmission lines to ship all that electricity from James Bay or the North Shore to market and another 108,000 kilometres of inner-city power lines to get the juice into homes. Hydro-Québec has more than 3.5 million residential and industrial customers, most of whom consider risibly cheap electricity a God-given right. And it operates a lucrative energy trading operation that requires quick thinking to seize on hourly export opportunities."

And continuing my quotation from Mr. Yakabuski's column: "Since the nationalization of the electricity sector in 1962, Hydro-Québec has become a sort of state within the state. It is often derided and feared as an occult, secretive organization whose workings are impenetrable to the elected officials who are supposed to be its masters. Hydro-Québec informs them of its agenda and they usually follow along obediently."

I think I detect pangs of envy from our Ontario electricity industry representatives present today at our head table and in the audience.

Mr. Vandal has been involved in the North American energy sector for more than 20 years. Prior to joining Hydro-Québec in 1996, as Vice-President, Strategic Planning and Development, he worked in the oil, petrochemical and natural gas industries in production, marketing, business development and strategic planning. Mr. Vandal became President of Hydro-Québec Production, the generation side of the business in 2001 and was appointed President and Chief Executive Officer in April 2005. Mr. Vandal is a director of the Conference Board of Canada.

Please join me in welcoming Thierry Vandal, President and Chief Executive Officer of Hydro-Québec, to our podium today.

Thierry Vandal

Distinguished guests, ladies and gentlemen, good afternoon. Thank you all for being here today.

This is a very rare occasion and a great honour for a CEO of Hydro-Québec to speak here in Toronto at the Empire Club. I feel very privileged and I wish to thank the organizers for their kind invitation. An invitation which comes at an interesting time in our industry, and at Hydro-Québec as you'll see. So today, I'd like to share with you our strategy and plans for the coming years, including some of our thoughts on the Ontario electricity market.

But first, let me update you on Hydro-Québec.

Our 2005 Annual Report was released a few weeks ago. We had a good year in 2005. Income from continuing operations totalled $2.25 billion, an increase of $124 million over 2004. This increase came primarily from our commercial activities outside Québec, selling and trading power in the short-term markets.

These results we owe to our 22,000 employees. We operate through four major divisions: Generation (or production), TransÉnergie (our transmission division), Distribution (our retail operation) and Construction.

The first three show significant net income.

For Hydro-Québec Production, net income was $1.87 billion in 2005. Our generation assets total over $26 billion. Ninety-six per cent of our sales volume in 2005 at the wholesale level was at a fixed price of 2.79¢ per kWh; that's the heritage pool of electricity for Québec markets. That's a fixed price for a fixed volume under the Act, which restructured the wholesale markets in Québec. This attractive wholesale supply explains the low retail rates for Québec consumers. We make about $1.2-billion net income at the wholesale level on this supply. We had favourable market conditions for the rest of our sales in 2005; the other 4 per cent. We had a good year trading power across our markets, with a low-risk approach. We had revenue of $220 million in Ontario in 2005. We'd like to grow this over the coming years. I'll come back to this in a minute.

Hydro-Québec TransÉnergie, our transmission division, produced a net income of $370 million. This is generally in line with its regulated, authorized return on equity. No big surprise here. TransÉnergie has assets of about $15 billion.

For Hydro-Québec Distribution, the regulated distribution activities in Québec, 2005 showed a net income of $230 million. We have assets of about $8 billion in Distribution.

Finally, our Construction division does about $2-billion worth of project management and execution, essentially at cost for our other divisions.

The year 2005 was also one during which passed certain milestones. Total assets surpassed $60 billion, and the shareholders' equity reached $17.4 billion. Our long-term debt now stands at $31.3 billion. This represents a decrease of over $6 billion over the last four years. Cashflow from operations was $4.4 billion last year. This is financing a good portion of our capital expenditures, which stand at about $4 billion this year, an annual pace we expect to maintain for at least the next five or six years. That's a lot of numbers. But the bottom line is that Hydro-Québec is solid financially as we plan for the coming years. This is a time for growth and our strategy is very straightforward.

Our growth strategy is all about sustainable development. And it's all about good business. The two go hand-in-hand at Hydro-Québec as for many other corporations.

Sustainable development for Hydro-Québec means three things:

- Greater energy efficiency;
- A dedication to renewable energy, which for us means large hydroelectric and windpower development, complementary sources of power—leveraging our geography; our geography gives us our energy—water and wind.
- Sustainable development for Hydro-Québec also means strong technological innovation across the organization—the bridge between economic

growth and the prudent use of our natural resources.

Greater Energy efficiency is the starting point for us. At a time of steeply rising energy prices—$71 for oil—and global environmental challenges like climate change, greater energy efficiency is an obvious obligation for all of us. Hydro-Québec is doing its part; we're investing over $1 billion in this area up to 2010. And we're open to doing more.

Our context is challenging: we've had strong demand growth in Québec over the last five years, new supplies at market prices but electricity rates which reflect average costing, which is standard practice but obviously not a great enticement to save power.

But it makes so much sense environmentally. We live in a world where resources are limited. Being energy-wise helps reduce greenhouse gases and other emissions that contribute to climate change and have a direct impact on human health. And in Québec, optimizing energy management conserves hydraulic resources for future generations.

Our customers are reacting very positively to our Energy Efficiency Plan. We can see measurable results. For 2005 only, our customers have saved 470 million of kWh of energy.

So we've raised the bar on ourselves. We're now aiming for energy savings of 4.1 billion kWhs by 2010, an increase of 37 per cent. This collective effort offers the twofold advantage of limiting demand growth and reducing our supply costs.

To succeed, energy efficiency has to encompass all elements of society. Consumers, businesses and all levels of governments must join forces. The cumulative effects of countless little things we can do differently each day make a real difference.

We're very committed to this.

Energy efficiency is the start, but we're also a strong producer of electricity, and our focus for the coming years will be fully on renewable energy, which for us means large hydro and large wind farms.

Hydro is the foundation, and wind attached to a reservoir-based hydro system—which is our name brand—is the complement. This is a solid foundation from an environmental perspective. It's also a solid business proposition when you're looking at two very capital-intensive sources of power at a time of historically low long interest rates. In my business we pray for high rainfall and low interest rates. We're doing pretty well with our prayers over the last few years.

Hydroelectric development made steady progress in 2005. We have $4-billion worth of projects under construction as we speak.

Our Toulnustouc power project, a $1-billion project, was commissioned five months ahead of schedule last year.

In the James Bay region, we'll be commissioning the Eastmain-1 development later this year; that's a $2.2-billion project started in 2002. We're also a little ahead of schedule on that one.

The Péribonka project, a $1.2-billion project, is progressing well. That will be a 2008 commissioning.

We broke ground last year also on the Chute-Allard and Rapide-des-Coeurs hydroelectric developments (a $700-million project).

Over the next two years, 1,000 MW of installed capacity will be added, representing over six billion of kWh of clean renewable energy every year.

All these projects mean energy security for Québec and a more proactive Hydro-Québec on export markets. And we certainly have Ontario in mind when we look to the future. It's a natural fit—Ontario's summer peaking needs and large baseload generation, and Hydro-Québec's flexibility, summer capacity, off-peak purchasing ability and supply reliability. We hope to be able to grow our business here in a positive and mutually beneficial way.

For this we're also counting on our next major project, the Eastmain-1-A-Sarcelle-Rupert hydro project. It is a $4-billion project in the James Bay territory, which we should have under construction by the end of the year.

It is a very sound project, economically and environmentally. We've spent $325 million so far through all the feasibility and environmental review phases. Public hearings got under way last month.

This is "the hydropower project of the decade" in Québec, a project for which a specific partnership agreement was signed with the Crees, the Boumhounan Agreement.

And beyond that we're advancing on the studies for the Romaine project, a $6–7 billion undertaking.

As you can see, hydroelectric development in Québec is still strong, with some very solid projects.

Wind power is now joining alongside hydropower in Québec. We view this as our renewable tandem. Wind power will expand quickly in Québec.

In 2005, Hydro-Québec Distribution signed contracts for an initial block of 990 MW of wind power. That power was sourced at about 7¢/kWh, a reasonable price. And we issued last year a call for tenders for an additional 2,000 MW. Tenders are expected by April 2007. Deliveries are to begin in 2009.

Water and wind are two beautiful sources of energy. We see them taking us very far into the future.

Our third main area of focus is technological innovation. In today's world, sustainable development needs strong technological innovation.

To improve our performance, we are counting on innovation and the potential of new electric technologies. We spend about $100 million a year in this field in areas like digital technology for the transmission grid—where Hydro-Québec is fully committed to remaining a world leader. We're investing about $1 billion a year on the grid, and we aim to stay ahead of the pack on the technological curve.

We are also advancing technology to improve the efficiency of our hydro turbines through leading-edge flow analysis and robotized interventions on turbine blades; the equivalent of having your hip-replacement surgery fully executed by a machine.

There's so much potential when you get talented women and men focused on these things.

We are also active in the automobile sector. Our subsidiary TM4 has developed a very efficient drive train for the "plug-in hybrid" niche of electric vehicles. An electric motor with a 250 km range.

In 2005, the Dassault Group, a major French industrial conglomerate, bought an 18-per-cent holding in TM4.

This electric motor will be in use as soon as this summer in France. You'll see it on French roads if you're visiting France this summer, always a pleasant idea by the way. It will power demonstration vehicles operated by the French postal service—La Poste as they say in France.

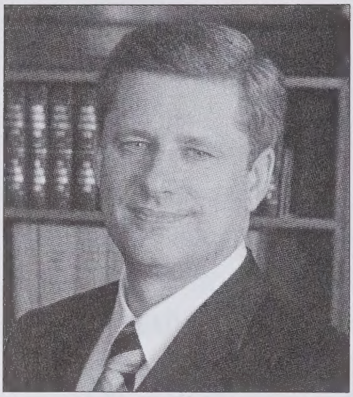
Over the last few minutes I've given you I hope a sense of all the great things going on at Hydro-Québec. We have our challenges obviously, that's what we're paid for—and by the way I'd like to thank the Globe and Mail for their very gallant effort to get me a pay raise last week in an article you may have seen. It was a very generous article. You know, being the CEO of Hydro-Québec in Québec is like coaching the Montréal Canadiens; it's not a job you do for the money. As a Quebecois, it's a job you take on with passion when given the chance.

I share that passion with 22,000 other women and men—the people of Hydro-Québec, people with energy. We're having a great time. Hydro-Québec is growing, profitably. And now we plan to accelerate things a bit.

Merci. Thank you again for being here today.

The appreciation of the meeting was expressed by Jo-Ann McArthur, President and Chief Operating Officer, Pigeon Branding + Design, and Director, The Empire Club of Canada.

Alicia Quintanilla Perez, Grade 12 Student, Oakwood Collegiate Institute, Jo-Ann McArthur, President and COO, Pigeon Branding + Design, and Director, The Empire Club of Canada, Thierry Vandal, President, Hydro-Québec, and William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.



April 21, 2006

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Rt. Hon. Stephen Harper

Prime Minister of Canada

ACCOUNTABILITY IN GOVERNMENT

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Gay Mitchell, Executive Vice-President, Strategic Business Development, Personal and Business Clients, RBC Financial Group, and Director, The Canadian Club of Toronto; Golnaz Nayerahmadi, Grade 12 Student, North Toronto Collegiate Institute; Jeff Morrison, Director, Government Relations and Public Affairs, Canadian Construction Association, and Executive Director, The Road and Infrastructure Program of Canada; Alastair Gordon, President, Canadian Coalition for Democracies; Jasdev Singh, Treasurer, Malton Sikh Temple; Frant Dimant, Executive Vice-President, B'nai Brith Canada; Rt. Rev. Colin R. Johnson, Bishop, Anglican Diocese of Toronto, and Honorary Chaplain, The Empire Club of Canada; Gwyn Morgan, Executive Vice-Chairman, EnCana; LCol. Paul Fredenburg, Area Engineer, Land Force Central Area, Canadian Forces; Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Philip Leong, Vice-President, Senior Investment Manager and Chairman's Council Member, BMO Nesbitt Burns; Phyllis Yaff, CEO, Alliance Atlantis; Jim Schultz, President, Enbridge Gas Distribution Inc.; Michael J. Sabia, President and CEO, BCE Inc., CEO, Bell Canada, and Chairman of the Board, Bell Globemedia; and Rod

Phillips, President, The Canadian Club of Toronto, and President and CEO, Warren Shepell.

Introduction by William Whittaker

Eighty years ago today, Princess Elizabeth Alexandra Mary was born. She became our Queen on the death of her father, King George the Sixth, on February 6, 1952, over 54 years ago.

Today is Queen Elizabeth's eightieth birthday. I would like to briefly quote from Doug Saunders article in today's Globe and Mail about the Queen's present-day activities: "An estimated 100,000 people are invited to Buckingham Palace every year; she shakes hands and chats with most of them. She greets a couple of ambassadors a day, gives out thousands of honours a year, holds constant dinners and foreign visits with some of the world's least interesting people, makes endless speeches, all without betraying a hint of fatigue or self indulgence, all at the age of 80, when simply getting out of bed is an accomplishment for some."

Your Majesty, our luncheon audience today toasted your birthday before our live telecast began. So on behalf of our TV audience, Happy Eightieth Birthday and many more.

We welcome the Prime Minister of Canada today who will give his first major address to a Toronto audience since assuming office.

Born and raised in Toronto, Stephen Harper graduated from the University of Calgary with a master's degree in economics. He worked as an assistant and policy advisor to two Members of Parliament before being elected to the House of Commons in 1993.

In early 1997, Mr. Harper joined the National Citizens Coalition, becoming its President in early 1998. In 2002, he returned to the House of Commons as Leader of the Opposition and began working for the unification of Canada's then divided conservative movement, which resulted in the formation of the Conservative Party of Canada in late 2003. Mr. Harper was elected leader of the Conservative Party in March 2004 and became Canada's 22nd Prime Minister on February 6th this year following the January 23rd general election.

More importantly, Prime Minister Harper is husband to Laureen and father to Benjamin and Rachael.

Prime Minister, you may recall when I introduced you as Opposition Leader at our joint luncheon last November, I quoted from the last paragraph of William Johnson's book, "Stephen Harper and the Future of Canada," as follows: "...what is most important in a prospective prime minister is his demonstrated good judgment, his integrity, his wise policies, his broad experience, his willingness to make hard decisions for the common good even if they are unpopular, and his commitment to work to the best of his ability and his energy to lead the country in peace, justice, and prosperity. In each of these respects, warts and all, Stephen Harper rates better than any other leader on the federal scene..."

I must confess that the quotation actually ends with the words "since Pierre Trudeau" which I didn't include in my remarks. If I had, it may have cost you the election!

Prime Minister, you have the strongest ties of any of our previous prime ministers to the City of Toronto for you were born, raised and educated here—our first prime minister to have spend his formative years in our city. No doubt, there has been a recent increase in the value of the former Harper family homes in Leaside and Etobicoke, which is due to your occupancy and not to Toronto's booming real estate market! However, the owners will soon have to contend with historical plaques on their front lawns!

Prime Minister, this week you have been to Vancouver, Winnipeg, Montreal and today Toronto speaking about the immediate priorities of your government as set out in the April 4th Speech from the Throne. We look forward to your speech today and hopefully there are no six-month-old nose pullers in our audience to detract from your message.

Ladies and gentlemen, please join me in welcoming the Right Honourable Stephen Joseph Harper, the 22nd Prime Minister of Canada, to our podium today.

Stephen Harper

Introduction

Honoured guests of the head table, colleagues from the Parliament of Canada, members of the Canadian and Empire clubs, ladies and gentlemen, thank you and thank you, President Whittaker, for your kind opening remarks.

Let me begin by echoing the sincere best wishes to Her Majesty, Queen Elizabeth II, who is celebrating her 80th birthday today. I've had the privilege to meet with Her Majesty, and found her warm, gracious, intelligent and wise. I was also struck by her knowledge of Canada and her deep affection for this country and its people. She has been a model of selfless devotion and dignity through over half a century, and I know we all look forward to the continuation of her reign for many years to come.

I am especially honoured to address this joint gathering of the Empire and Canadian clubs because they are among the oldest and most prestigious forums in our country. Over the course of your history, you have hosted many of the world's most famous leaders—giants like Winston Churchill, Indira Ghandi, Ronald Reagan, Bill Gates and Margaret Thatcher, as well as virtually every Canadian prime minister over the past century. As a rookie prime minister, I am privileged to add my name to your list today.

The Need for Change

But I'm not here to talk about history. I'm here to talk about change. On January 23rd, Canadians voted for change. And they voted for direction. They tasked our party to lead that change and to provide Canada with leadership and direction.

Leadership is not always easy, especially in a minority Parliament. But I sense a hunger for it among Canadians. They are tired of talk without action. Promises without results. Government that succeeds in taxing, but fails to deliver.

Our Mission

In contrast, our new national government wants to create a clear sense of mission and of purpose:

- To institute reform and accountability in government;
- To establish greater safety and security for individuals and communities;
- To renew our federation and keep our country united, independent, strong and free;
- To provide for Canada a more meaningful role on the world stage; and
- To build a prosperous future—not just for a privileged few—but for all working people and their families.

Our Accomplishments So Far

With these goals in mind, we have had to respond to issues before our government.

We had to fill a vacancy on the Supreme Court of Canada.

For the first time in history, we required our nominee to first submit to questions from a committee of elected members of Parliament. It was an unprecedented and historic first step forward in delivering greater democracy and transparency to our highest court.

We have responded to developments on the world stage in ways that advance Canada's interests and values. That's why we led the western world in cutting off funding to Hamas, making it clear that state terrorism is not acceptable. That's why we added the Tamil Tigers to the list of banned terrorist organizations in Canada, an action that should have been taken years ago. And that's why we spoke out against the anti-democratic actions of the government of Belarus, which included jailing a Canadian journalist for simply doing his job. It's also why I travelled to Afghanistan to see firsthand the work done by our diplomats, development officers and defence personnel. And it is why I remind Canadians, every chance I get, that our men and women in uniform are doing a first-class job delivering humanitarian aid to the Afghan people, demonstrating leadership in an international mission and defending Canada's values and interest. And those men and women in uniform deserve our unqualified support.

We have also been confronted early with the challenges faced by Canada's farmers, a group urbanites sometimes take for granted, but who provide food security for our nation. The first act of our cabinet was to free up three-quarters of a billion dollars in emergency aid to provide farmers with immediate assistance while we search for longer-term solutions.

And last but not least we have laid down clear markers to reassert Canadian sovereignty in the Arctic. You know, there's an old saying—use it or lose it—and we are not about to forfeit Canada's historical claim to our northern waters.

Our Five Priorities

Ladies and gentlemen, in the election campaign we set out a plan and made commitments. In the Speech from the Throne, we set out five immediate priorities that we plan to act on this spring.

Today, I want to talk about the Federal Accountability Act, and about the real clean-up we are going to undertake in Ottawa; that's a promise we plan to keep.

Now, of course, Parliament is in session. And, throughout this session, we will be guided by the five immediate priorities articulated in the Speech from the Throne. These are the priorities we campaigned on. These are the priorities Canadians voted for at the ballot box. And these are priorities we intend to deliver on in the months to come. These priorities are clearly defined, easy to remember, specific in their outcomes and limited in number.

There are five. Not 15. Not 50. Five.

We know what we want to do. And we have a plan and a focus to get it done.

Canadians are overtaxed. That's why we will move forward to cut taxes for all Canadians—starting with a cut to the GST from seven to six per cent, and eventually to five per cent.

The growth in gun, gang and drug crime is unacceptable. That's why we will work to safeguard the Canadian way of life and strengthen the criminal justice system.

Families, parents and children deserve our support. That's why we are replacing a child-care program that has funded politicians, researchers and advocates with one that helps families financially and will create real daycare spaces.

We will work with the provinces to establish a Patient Wait Times Guarantee—giving Canadians the health care they need, when they need it.

And, first of all these priorities, after years of waste, mismanagement and scandal, we will clean up government in Ottawa.

Greater Accountability in Ottawa

Each of our priorities is important. But none is more pressing than cleaning up the mess in politics and government at the federal level. Accountable, honest, democratic government is the foundation necessary for everything else we wish to build.

The problems of the past—including the systemic fraud and theft documented by the Gomery Inquiry—not only tarnished the reputation of federalism in Quebec; it also cheated and disillusioned taxpayers in all parts of the country. Something had to be done and last week we started the clean-up.

Treasury Board President John Baird tabled our first piece of legislation, the Federal Accountability Act. The FAA will change the system. It won't make government perfect because people are not perfect. But it will provide stronger and clearer rules for governments to follow, and enforce corrections and consequences when things go wrong. The Federal Accountability Act contains a series of exhaustive measures to clean up government and undertake a real spring-cleaning in Ottawa. Once it is implemented the FAA will:

- Give more power to the Ethics Commissioner, the Auditor-General and the Lobbyists Registrar;
- Put an end to the influence of money in federal political parties;
- Prevent former ministers, ministerial staff and senior officials from using their political relationships to profit from their public service;
- Provide ironclad protection to whistleblowers;

- Give the Auditor-General the power to monitor federal grants and contributions funding;
- Expand the scope of the Access to Information Act;
- Establish an independent Parliamentary Budget Office;
- Clean up government contracting, polling, procurement and appointments, by establishing a Public Appointments Commission.

To begin with, the Accountability Act will give more power to the various independent Officers of Parliament.

The scope of the Auditor-General's authority will be extended. And she will be given the power to "follow the money" beyond just the billions of dollars in discretionary grants and contributions, to potentially audit the end recipients—a power that may have resulted in detection of the sponsorship scandal years earlier.

The Lobbyist Registrar will be given greater independence and the ability to end service in government as a stepping-stone to private profit. The FAA will do this by, among other things, banning all former ministers, ministerial staffers, and senior public officials from lobbying the federal government for five years.

Those in government will be subject to a tougher Conflict of Interest Code, enshrined in law, and enforced by a new Ethics Commissioner with judicial training.

Access to Information will be widely extended. For the first time it will cover the activities of a wide range of agencies, Crown corporations and government foundations.

In recent years, Parliament has been hamstrung in its duty to supervise financial measures by a series of flagrantly inaccurate budget estimates and forecasts. The Federal Accountability Act will ensure elected MPs of all parties can have accurate and unbiased budgetary information on which to make decisions by creating an independent Parliamentary Budget Office.

The FAA will also mean an end to the influence of big money in federal political parties. It will ban corporate and union donations to federal political parties, eliminate secret trust funds for politicians and limit individual donations to parties to $1,000 per year. There will be no more private cocktail parties where the prime minister or other ministers make themselves available for $5,000 a ticket.

When things do go wrong in government, we will not drive out those who expose wrongdoing, as the former government did. The Federal Accountability Act will provide ironclad protection to whistleblowers.

And the FAA will clean up federal advertising, contracting, procurement, polling and government appointments.

Creating a Public Appointments Commission

Specifically, we will make sure that all federal appointments are necessary, and that selection is fair and based on merit.

Along these lines our accountability measures will include the establishment of a Public Appointments Commission.

For too long, the process of selecting the people for federal government boards, agencies and Crown corporations has been based almost exclusively on patronage and cronyism.

Let me be clear: governments should be able to appoint people who support their agenda—that is not the issue—but the jobs should be real, the net should be cast widely and qualifications should be brought to the table beyond mere partisan loyalty.

From now on, the appointments process throughout government will be supervised by the Public Appointments Commission, an independent five-member body. Its job is not to make appointments, but to ensure that objective criteria is established for positions, along with appropriate processes for recruitment and selection across government departments and agencies.

Establishing this framework will be a big job, but it will be essential to transforming Ottawa from what Judge Gomery called a "culture of entitlement" to a new culture of accountability. And I'm very pleased to be able to announce today that a prominent Canadian has agreed to take on the job of founding chairman of the Public Appointments Commission. That individual is with us today, so let me introduce Mr. Gwyn Morgan. I can't tell you how delighted I was when Gwyn accepted my invitation to take on this job for the people of Canada. People of his calibre are rare in this or any country. As you know, he recently retired as president and CEO of EnCana Corporation after an outstanding 30-year career in the oilpatch. Gwyn built Encana into one of the largest public companies in Canada and the biggest natural gas producer on the continent. Throughout his career he has been a champion of accountability and ethics in the private and public sectors. In short, there is no one better qualified to oversee a better, more transparent, more professional selection process for government appointments across all federal departments and agencies. And, what's more, he's going to do the job for a dollar a year. So, Gwyn, on behalf of the people of Canada, thank you.

Opposition to Greater Accountability in Ottawa

Ladies and gentlemen, we want to pass the Federal Accountability Act, but we have a minority government, and so we need help to implement the reforms the act will entail. We have no illusions. The federal Liberal Party will never support these changes. The Liberals will do everything in their power to block them, both in the House and in the Senate, because they will put a permanent stop to the culture of entitlement. We need the support of the other parties to establish a culture of accountability, and we need you, members of the public, to tell them you want Parliament to pass the Federal Accountability Act.

Friends, I have to remind you that, in this minority Parliament, passage of the Federal Accountability Act is not a done deal. I expect there to be some refining of the proposals as they go through the parliamentary process, and I hope we will get some useful suggestions from members of the New Democratic Party and the Bloc Quebecois. However, I notice that members of the previous government have been particularly vicious in their criticism. But their complaints are all over the map. Sometimes they say the FAA goes too far. Then they say it doesn't go far enough. They say there is too much in the act, and then there's not enough.

But my friends, let me remind you of one thing. There are over 250 sections to this legislation. And what do they all have in common? What they have in common is that the Liberal Party did not want to enact a single one of them when they were in power. And now some Liberal senators are threatening to delay the bill in the Upper House. That's something, even for the Liberal Party—unelected political appointees blocking legislation to make Parliament more accountable. Apparently they have concerns that the FAA will put the Senate under the same Conflict of Interest Code as the Commons, and they don't like that it will create an independent Director of Public Prosecutions.

After the sponsorship scandal, why am I not surprised? Ladies and gentlemen, the Liberal Party in either House of Parliament contemplating blocking or delaying the Accountability Act is intolerable. And it is particularly offensive given that the act is in significant measure a response to their actions. Actions they first denied. Actions later confirmed by a judicial inquiry. Actions the Canadian people passed judgment on back in January.

Listening to some members of the previous government, you'd think January 23rd never happened. In fact, you'd think the sponsorship scandal never happened. But it did. And we have to do something to clean up politics and government.

We have to do something to ensure greater respect for the law and for taxpayers' dollars. We have to do something to rebuild the image of federalism in the province of Quebec.

Now, I can understand why members of the previous government are being obstructionist on the FAA. It threatens how they raise money. It threatens the way they conduct business between lobbyists and government. It threatens the way they reward their friends. It threatens the ability of politicians to cover up mistakes once they happen and to get to the bottom of what has happened.

That's why they will try to pick the act apart. That's why they will work to defeat it.

But we will not be defeated or deterred because this is what Canadians want. They've had enough of phoney nitpicking. They've had enough of silly excuses as to why we can't clean up Ottawa.

They're telling us to get on with the program and pass this bill.

I say to Mr. Graham and his Liberal colleagues, you have a choice to make, and Canadians are watching. It's that simple.

Building a Better Canada

Ladies and gentlemen, Canada's new national government will keep the commitments it made to Canadians. Canadians are entitled to have a responsible government. We will set an example and keep our promises.

Friends, Canadians are tired of scandal, inaction and empty promises. They want leadership on accountability. Leadership on lowering their taxes. Leadership in the fight against crime. Leadership on delivering real results for ordinary working people. And leadership in keeping Canada—our Canada—strong, united, independent and free.

Friends, we know what we have to do. We know what we want to achieve. And we believe ordinary Canadians—the people who work hard, pay their taxes and play by the rules—are with us.

But it's a minority Parliament so we're going to need your help. If you want greater accountability and clean government in Ottawa, phone, e-mail or visit your MP and tell them to get the Federal Accountability Act passed. If you want to see tax relief, tell your MP you want them to support a cut in the GST and to cut taxes for all Canadians. And if you want real results for working families, and a tougher approach to crime, tell your MP you want them to support us in making our families stronger and communities safer, all of which are vital if we are to build a stronger, better Canada.

Friends, your government wants to move this country forward, by providing direction, focus and leadership. We know that, if we act with conviction and determination as a nation, the best is still yet to come for Toronto, for Ontario and for all parts of this great country. Together, I am confident that we can achieve great things.

Thank you. God bless Canada.

The appreciation of the meeting was expressed by Rod Phillips, President, The Canadian Club of Toronto, and President and CEO, Warren Shepell.

May 4, 2006

Gail Asper

Managing Director, The Asper Foundation and Campaign Chair, Friends of the Canadian Museum for Human Rights

THE CANADIAN MUSEUM FOR HUMAN RIGHTS

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Robin Sears, Principal, Navigator Limited, and Director, The Empire Club of Canada; Sayyid Abdulrahman, Grade 12 Student, Marc Garneau Collegiate Institute; Rabbi Yossi Sapirman, Beth Torah; Craig Kielburger, Founder and Chair, Free The Children; Bluma Appel, Chair, Canadian Foundation for AIDS Research; Glen Murray, Principal, Navigator Limited; Beth Atcheson, Chair, Women's Legal Education and Action Fund (LEAF); Mohammad Al Zaibak, President and CEO, CDM Information Inc.; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; David Mirvish, Producer, Mirvish Productions; Kathy Dore, President, Television and Radio, CanWest Media Works Inc.; Senator Vivienne Poy, Senate of Canada; and Charles S. Coffey, Chair, National Advisory Council, Canadian Museum for Human Rights, and Third Vice-President, The Empire Club of Canada.

Introduction by William Whittaker

We all know the famous phrase from the 1776 American Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable rights, that among these are life, liberty and the pursuit of happiness."

On December 10, 1948, the United Nations General Assembly proclaimed the Universal Declaration of Human Rights, the preamble of which states that the recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world and that disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind.

Our 1982 Canadian Charter of Rights and Freedoms, in less grandiloquent language, sets out our fundamental freedoms of religion, thought, peaceful assembly and association and states that every individual is equal before the law without discrimination.

Lofty pronouncements and constitutional guarantees do not of themselves protect human rights—a country and its people must be eternally vigilant. The "I'm all right, Jack" syndrome is alive and well today in many countries, including our own, as it has been in the past. Reverend Martin Niemoller, a German pastor during the Nazi regime, commented on the evil of indifference as follows: "When the Nazis came for the communists, I remained silent as I was not a communist. When they locked up the social democrats, I remained silent, as I was not a social democrat. When they came for the trade unionists, I did not speak out, as I was not a trade unionist. When they came for the Jews, I did not speak out, as I was not a Jew. When they came for me, there was no one left to speak out."

On April 17, 2003, the 21st anniversary of the signing of our Canadian Charter of Rights and Freedoms, Dr. Israel Asper announced the establishment of the Canadian Museum for Human Rights in Winnipeg to help eliminate intolerance through the recognition of human rights as the foundation for human equality, dignity and freedom. The significance of this venture, which will be the largest of its kind in the world, has been recognized internationally including by the government of India who, in August, 2004, donated to the Museum a statute of Mahatma Ghandi, the embodiment of the very essence of the struggle and sacrifice for human rights and dignity.

Winnipeg is the appropriate home for the Museum. Not only is it in the geographic centre of our country, but Manitoba is the homeland of Louis Riel and the Metis and Winnipeg the home of J. S. Woodsworth, Tommy Douglas and Stanley Knowles and, to show I am not an NDP partisan, John Dafoe and the Winnipeg Free Press, Lloyd and Thomas Axworthy and of course, the late Izzy Asper, all outstanding symbols of the human rights movement in Canada.

Gail Asper, Mr. Asper's daughter, is the moving force behind the Canadian Museum for Human Rights, which will be the subject of her speech to us today. A lawyer, Ms. Asper is the Corporate Secretary of CanWest Global Communications Corp., President of the CanWest Global Foundation, and Managing Director of The Asper Foundation. She is also a director of CanWest Global Communications Corp., Great-West Life Assurance Company, London Life Insurance Company and Canada Life Assurance Company and of numerous not-for-profit organizations.

Ms. Asper is Vice-Chair of the Board of Directors for the United Way of Winnipeg and a director of the National Arts Centre Foundation and the University of Waterloo's Centre for Cultural Management. She is also a Governor of the Hebrew University of Jerusalem.

Ms. Asper has received numerous community service and humanitarian awards and is the 2005 recipient of the Governor-General Ramon John Hnatyshyn Award for Voluntarism in the Performing Arts.

Please join me in welcoming Gail Asper to our podium today.

Gail Asper

Thank you, Bill. I am honoured to be here today and thank the Empire Club for recognizing the importance of the work we're doing at the Canadian Museum for Human Rights.

A few weeks ago, I was asked to speak about the subject of passion. I shared with the audience the fact passion was a torch passed to me by my parents. My brothers and I soon learned that sitting back and complaining about the world was not an option for us. We were charged with the responsibility, no matter how young we were, no matter our circumstances, to make the world a better place than how we found it. And, by the way, we were to do it with excellence, hence our family's mantra of "reach for the stars."

Having been instilled with these values from an early age, I've learned along the way that passion and excellence are contagious and the more you share the flame of both, the brighter the light becomes.

As I look around the room today, I am surrounded by light. I am honoured to be here with Canadians of legendary passion and commitment to excellence. Craig Kielburger's passion for children's advocacy has led him to develop a successful, international organization to promote the rights and education of children. Bluma Appel's passion for health, arts and culture and for the country has turned her into one of this country's most tireless, most successful and formidable advocates for initiatives in all these areas. Glen Murray's passion for the plight of cities led him to lead a national effort that resulted in a new deal for cities. And of course, my dear, dear friend Charlie Coffey has shown that unbridled passion for the country in which you live can strengthen a community one life at a time.

In the past few years my passion has certainly revolved around three main themes: my passion for Canada, for Winnipeg and for justice and the rights of people. I think I inherited these from my father. No wonder he envisioned the Canadian Museum for Human Rights; it is the brilliant convergence of the three passions into one single project!

Our forefathers were passionate about Canada and were committed to building this country into a country of greatness—one that could be a beacon to others in many respects. They envisioned Canada as a strong yet diverse and respectful nation. In fact, the very words of our national anthem evoke visions of freedom, patriotism, glowing hearts, the rising of the true north, our home, the country we love. All statements of passion, anchored by the fact that for passion to be effective and transformative, it requires action, hence the words "we stand on guard for thee."

Standing on guard to me means constantly being vigilant in protecting and upholding basic human rights, not just through the protection of our borders, but through the protection and upholding of our values, our diversity and our humanity. Our national anthem charges us to be active, engaged leaders in the job before us, and not just leave it up to our government, our peacekeepers, and our rock stars.

In fact, the very mission of the Canadian Museum for Human Rights is "to advance understanding and support for human rights in Canada and throughout the world."

It's a mission that may sound a little unusual for a museum. There are many days I wish we had never called it a museum because the name evokes a stereotype of a passive place of history and remembrance that warrants a visit once every five years or so, when, in fact, this museum couldn't be further away from this stereotype.

It is destined to be a place of activity and action—a compelling and frequent destination. It will be an international centre of learning, research and dialogue related to the knowledge and understanding of human rights. People will come to the museum daily—in person or via the World Wide Web—to discuss, debate and learn about Canada's Charter of Rights and Freedoms and the U.N. Universal Declaration of Human Rights.

Tens of thousands of students from across Canada will visit the museum each year as part of a funded, comprehensive, human rights program delivered in their own communities in partnership with the museum. People all over the world will learn and be inspired by Canada's human rights journey—its triumphs and its failures. They will also be inspired by Canadian and international heroes who, as ordinary people, achieved extraordinary things in the advancement of human rights because they simply chose to take action. The ultimate goal of the museum is to create change in terms of attitude and action. In other words, to ignite passion when it comes to promoting humanity at home and around the world.

Our social history is an ingenious tool to ignite passion. Who could argue, for example, that the story of Rosa Parks, the mother of the modern human rights movement in the United States of America, has ignited passion amongst hundreds of thousands of people? This young, demure black woman, an unlikely hero who refused to sit in the back of the bus sparked a human rights movement of the size and magnitude we have rarely witnessed in modern times. In a way, it was miraculous. What I find incredulous, however, is that we celebrate her life, yet we seem to know little or nothing of a young black woman named Viola Desmond who, 10 years before Rosa Parks ever sat on that bus, refused to sit in the blacks-only section of a Nova Scotia movie theatre, sparking an emotional and ultimately victorious human rights movement in Canada that saw the repeal of laws of racial discrimination.

Equal sacrifice and results—yet much less than equal notoriety.

We must tell the stories of our own heroes and embrace the events of our human rights history that really defined us as a nation. We have heroes—hundreds of them—worthy of celebration, reverence and study. We have stories—hundreds of them—that have shown our tenacity and resolve as a nation and many that have also shown our mistakes. The Canadian Museum for Human Rights proposes to break these heroes and stories free from their purgatory in dusty, old textbooks and bring them to life so that people can be inspired by their passion.

It's time for Canada to live up to its international human rights brand, and visibly and decisively step forward as a world leader in the promotion and protection of human rights—both at home and abroad. The Korean War Memorial in Washington D.C. says, "Freedom is not free." Unless we are vigilant, unless we "stand on guard" for justice and the rights of all people, we stand to lose our freedom. Senator Mobina Jaffer, a member of our National Advisory Council, says, "We live in paradise in Canada—but it's a bubble that can burst at any time." She's so very right. We are fortunate as a nation, but we also tend to be complacent, indifferent and even selfish.

Canadians have fought long and hard for the rights we enjoy today. The Museum for Human Rights will tell the stories of these human rights heroes to teach people, especially young people, what to watch for and what to be aware of to ensure our freedoms and justice for others are not eroded.

There is no better time than now for Canada to secure its place in the world. In a world of uncertainty, emerging democracies, terrorism, and war, Canada has a unique opportunity to define itself as a leader—not a leader through force but a leader through hope. Last month when Prime Minister Stephen Harper visited the troops in Afghanistan, he stated, "You can't lead from the bleachers; I want Canada to be a leader." In fact, it is this ideal that is emblazoned in our vision that the world will embrace the museum as a powerful symbol of Canada's unwavering commitment to recognizing, promoting and celebrating human rights.

As Bob Ward, President of the Canadian Human Rights Commission, said to me in support of the museum, "When was the last time Canada did something big that could change the landscape of this country?" I couldn't think of an answer.

The Canadian Museum for Human Rights is the answer.

My second passion, as mentioned previously, is for Winnipeg. Given that I am referencing the national anthem today, I'd just like to remind people that the song says, "from far and wide, oh Canada" and not just from certain parts of Canada.

This sentiment reflects a more serious issue that needs immediate attention—the economic and spiritual revitalization of Winnipeg and Manitoba. Winnipeg is ready and deserving to reach for the stars. We are the logical place for a Canadian International Centre for Human Rights. We are a central destination—the geographic centre of North America. We have secured a breath-taking, historical site—the Forks of the Red and Assiniboine rivers, which has been a meeting place for thousands of years and is the place where First Nations tribes first assembled to settle disputes peacefully through negotiation. Winnipeg is where labour rights, the rights of women and the rights of the Metis were fought for respectively through the General Strike of 1919, the brave efforts of Nellie McClung of the Famous Five and Metis Leader, Louis Riel. We are building a human rights centre of excellence through the recognized efforts of Lloyd Axworthy and the University of Winnipeg's Global College and the Arthur V. Mauro Centre for Peace and Justice at the University of Manitoba.

Perhaps most importantly, Winnipegers dream of and deserve a revitalized economy, a spiritual renewal and an influx of tourism that will be generated, in a large part, by the museum. Statistics Canada tells a sad story of the disparity in cultural funding between eastern and western provinces. Per-capita federal funding for arts and culture in eastern provinces is often double and sometimes triple the funding for western provinces. Conversely, the provincial per-capita investment in culture in the East generally lags behind the per-capita investment in culture in the West. Think of what parity with eastern provinces could do to revitalize a wonderful city like Winnipeg. We truly believe it's our turn and that's why we are not giving up on reaching for the stars in terms of architecture and content.

Signature architecture is an essential component to drawing an international audience—specifically the growing cultural tourist market that is looking for a life-enrichment as opposed to a life-escapement experience. Conservative estimates by Lord Cultural

Resources—a respected, international museum planning and development corporation—estimate the draw for our museum at 250,000 visitors annually. This estimate, by the way, is similar to predictions for the Frank Gehry-designed, Guggenheim Museum in a small, isolated, regional capital in Bilbao, Spain. Today, 10 years later, thanks to Gehry's brilliant and inspiring architecture, Bilbao consistently attracts nearly one million visitors annually and its presence has virtually turned around the local economy.

The Canadian Museum for Human Rights will be designed by an architect of equal stature to Gehry—American Institute of Architects 2006 Gold Medal winner, Antoine Predock—who, by the way, was secured by us BEFORE winning the gold medal. That is the Winnipeg way—pay wholesale, get retail!

You may have seen the recent Globe and Mail series on the people behind Toronto's cultural revival. I heartily applaud the visionaries here in Toronto who are working to raise the funds for the AGO, ROM and Four Seasons Opera House. This is a splendid hat trick of cultural renaissance that will yield dividends of increased tourism here and great civic pride. The Globe questioned Matthew Teitelbaum, director and chief executive officer of the Art Gallery of Ontario, on the Bilbao effect—suggesting it is actually starting to wane. Mr. Teitelbaum responded that, "Our projects are not simply about great architecture. If we think they are, we're in trouble. Buildings are a way to satisfy mission, at the highest level." Truer words were never spoken.

Our architect, Antoine Predock, said something very profound when he visited Winnipeg last week. He said that the mission is what the building is about. Once visitors get past the stunning architecture of the museum, they will be fully engaged in the mission—a life-changing experience—a journey of hope, that will be brilliantly orchestrated by renowned exhibit designer Ralph

Appelbaum and Associates, who designed the William J. Clinton Presidential Centre and the U.S. Memorial Holocaust Museum, to mention a few. Ralph understands that this museum is about what Canada stands for—freedom and inclusiveness. He is designing the journey to reveal the power of the individual, making us each feel and understand how important we are as individuals in promoting and upholding human rights.

And that brings me to the third, and, perhaps, most compelling passion, my passion for justice and the rights of others. I strongly believe that this museum will change the world—one attitude at a time. And I have proof.

Despite our best efforts, racism and intolerance still exist and raise their ugly head in increasingly violent ways in our communities. Recent shootings in Toronto have no doubt left your wonderful city feeling changed and a little more vulnerable. Headlines across our nation of gang violence, murders, and hate language make us all wonder how safe and how tolerant a nation we really are. Closer to home, most of us have been affected by the topic of bullying—an issue that affects nearly every school in this country now, and when we were kids as well.

One of the very best first steps I know of to take towards creating a better society is education. The Holocaust, for example, was allowed to happen because of the brilliant ability of the government propaganda machine to convince the public that the elderly, the disabled, the gypsies, the homosexuals and the entire Jewish race were to be regarded as "less thans." In Rwanda, the Hutus stopped referring to the Tutsies as people and started referring to them as cockroaches—opening the door for the ultimate elimination of one million people.

The reason I spend night and day on this museum travelling across the country, missing my family, and investing millions of dollars is because I know hateful attitudes can change through education and through the belief that one person can make a difference. And even if hate isn't eliminated, we'll be creating human rights champions who will speak out. As Edmund Burke said, "All that is necessary for evil to flourish is for good men to do nothing." We want our visitors to look for their inner Paul Rusesabagina of Hotel Rwanda fame and be human rights stars.

I've witnessed this in the change demonstrated by 14-year-olds who have participated over the years in the Asper Foundation's Human Rights and Holocaust Studies program. This life-changing program combines an 18-hour human rights course with the signing of a personal commitment by the students to invest their time in their community and to stand on guard by protecting the rights of others. It is a program that culminates in a visit to the various freedom memorials and museums in Washington, D.C. No similar experience exists yet in Canada.

The change in these young people is tangible and meaningful. In the room with us today, for example, are many students of Marshall MacLuhan High School—a Toronto school that has been involved in this program for several years. These kids, with changed attitudes from the program, are working diligently to change the attitudes of others. They have recently focused on the atrocities happening in Darfur. They have organized an incredible education and support campaign in their school that, to me, epitomizes the meaning of "we stand on guard for thee." Through the inception of what they call "The "Darfur Minute," they have spent a full week educating all the students of the school for a minute at the beginning and ending of each day about Darfur. They have developed and presented presentations and raised $500 for Darfur through the sale of bracelets. They have organized an event called Xtravaganza to raise funds for those suffering in Darfur and to send other students on the Asper Foundation's program. That's the importance they place on the program. Just this week, many of the students participated in the "Scream For Darfur" rally, simply because they wanted to be a voice for the voiceless.

In the nine years since we have offered the program we have funded, in partnership, approximately 4,500 students from across Canada—students from all walks of life—to participate. And, about 1,000 grade 9 students will be in Washington this May on the program. By year two of the museum's operations, we will be funding, in partnership, trips for 20,000 Canadian students with the numbers projected to increase in subsequent years. Can you imagine the impact we can make in Canada and around the world by sending tens of thousands of students each year through an even more compelling engaging program that focuses on the story of Canada, our home and native land?

This is where I find the passion to do what I do, despite the hurdles of changing attitudes about museums, about trying to build a national institution outside Ottawa and about approaching a national institution as a public/private partnership. It really is a great job and that which doesn't kill you. It makes you stronger. I hope you will join me in my passion to make it happen for all Canadians. We are more than two-thirds of the way to completing a $311-million campaign. We have thousands of supporters across Canada who can hardly wait for opening day. We have a national advisory council of some of the most prominent Canadians in our history including the Governor-General of Canada. We have the support of three levels of government and people from all walks of life—business, labour, individuals, human rights groups and ethno-cultural groups. Our private campaign is growing daily and the only thing separating us from a complete home run is a few—and I mean a very few—million dollars annually from the federal government to help support an overall sustainability plan. We are feeling hopeful and positive that this will happen because it's hard to find anyone more passionate about this museum than many of our MPs.

So I invite you to bring your passion and action to the fore and stand on guard with me. This star pin means we can all be human rights stars. It challenges us to reach for the stars when it comes to human rights. It says that we don't have to be rock stars or politicians to make a difference. We can be ordinary people like Craig, Glen, Bluma, Charlie and the students of Marshall MacLuhan who, one day, decided to take a small step that will, in the greater scheme of things, be extraordinary.

John Diefenbaker said, "I am Canadian, free to speak without fear, free to worship in my own way, free to stand for what I think right, free to oppose what I believe wrong or free to choose those who shall govern my country. This heritage of freedom I pledge to uphold for myself and all mankind." This is Canada's brand; this is Canada's passion; it's time we boldly promote it and embrace it through the Canadian Museum for Human Rights.

The appreciation of the meeting was expressed by Charles S. Coffey, Chair, National Advisory Council, Canadian Museum for Human Rights, and Third Vice-President, The Empire Club of Canada.

May 5, 2006

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. James M. Flaherty

Minister of Finance, Government of Canada

THE NEW FEDERAL BUDGET

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Libby Burnham, QC, DCL, Counsel, Brown Sosnovitch LLP, and Past President and Honorary Director, The Canadian Club of Toronto; Jen Bok, Grade 12 Student, North Toronto Collegiate Institute; Rev. Canon Dr. George Sumner, Principal, Wycliffe Theological College, University of Toronto; Karen Stintz, Councillor, Ward 16, Eglinton-Lawrence, City of Toronto; Duncan N. R. Jackman, Chairman and President, E-L Financial Corporation Ltd., and Director, The Empire Club of Canada; Nicky Eaton, Vice-Chair, St. Michael's Hospital Foundation, Governor, Royal Ontario Museum, and Director, Conservative Fund of Canada; Ivan Fecan, President and CEO, Bell Globemedia, and CEO, CTV Inc.; Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Shaun Francis, President and CEO, Medcan Health Management Inc.; Howard Sokolowski, CEO, Tribute Communities, and Co-Owner, Toronto Argonauts Football Club; Michael Tremblay, Senior Vice-President, Public Services, SAP Canada Inc.; and Rod Phillips, President and CEO, Warren Shepell, and President, The Canadian Club of Toronto.

Introduction by William Whittaker

It has become customary for the Minister of Finance to address a joint meeting of the Canadian and Empire Clubs following the tabling of the Budget in the House of Commons, a tradition begun almost 50 years ago and continued today by Canada's new Minister of Finance, the Honourable James Flaherty.

Our Canadian budget tradition has its origins in the Parliament of the United Kingdom and traces its history back to Norman times. As our new Finance Minister, Mr. Flaherty may not be aware of the Westminster tradition of allowing Chancellors of the Exchequer to refresh themselves with alcoholic drink during the Budget speech. No doubt, the only stimulant present during Mr. Flaherty's forceful and energetic Budget speech Tuesday was the goading of the opposition parties!

I note from pictures in the newspaper that Mr. Flaherty has continued the tradition of wearing new shoes for Budget day as the markings and Canadian flag on their soles were clearly visible. He was quoted in the Globe and Mail as saying he would be buying a pair of shoes of "modest cost, not too expensive, but hopefully decent quality" which is what he wanted his first budget to say to Canadians.

While Mr. Flaherty is new to federal politics, he survived 11 years in the Ontario legislature, known as one of the most raucous legislatures in Canada and indeed the English-speaking world. He was a senior minister during this time and was Ontario's finance minister during 2001 and 2002.

As a former Ontario finance minister, Mr. Flaherty is no stranger to the intense lobbying and consultations that are part of the budget process. This year, he was lobbied by his son, Quinn, who wanted to know if the Tory campaign promise of a sports tax credit for children's organized physical activity would be in the budget (it was). Mr. Flaherty was also lobbied by parents when he attended his son Galen's play at Galen's high-school. As the father of teenaged triplet boys and the spouse of a member of the Ontario legislature, I hope he didn't talk in his sleep.

Enough teasing of our Finance Minister.

All of us are familiar with the Minister's political career in Ontario ranging from Deputy Premier, Attorney General to Finance Minister. Prior to his election to the Ontario legislature in 1995, Mr. Flaherty was a practicing lawyer for 20 years and was educated at Princeton where he was more than a passable hockey player.

We in Toronto are delighted that someone we know and appreciate so well is our Finance Minister and who also has additional responsibility for the GTA. It has been 15 long years since we were last so fortunate.

Ladies and gentlemen, please join me in welcoming the Honourable James Flaherty, Canada's Minister of Finance, to our podium today.

Jim Flaherty

Good morning. I am delighted to share this podium and have the opportunity not only to reflect on our new government's first budget, but also to build on what Prime Minister Harper said yesterday and place the budget in the broader context of the kind of society Canadians expect government to help strengthen and build.

Public life is not only about debating policies, election campaigns and differing views of our national, provincial or local priorities.

Public life is about reflecting the essence of the objective economic and daily realities in the lives of our fellow Canadians:

- The way we work;
- The way we live;
- The way we care for those we love; and
- To reach out to a brighter tomorrow for our families, communities, province and country.

I accepted Stephen Harper's invitation to enter federal politics because I believed in the positive difference he and like-minded Canadians who work with him could make in economic, social, and workplace opportunities for generations of Canadians.

I believed in the need for fundamental re-balancing in the relationship between taxpayers and government, and restoring fiscal balance to the federation.

It is those broad principles that formed the basis of what Prime Minister Harper campaigned on. They underline the five priorities our government is focused on. They were the core underpinnings of the budget it was my privilege to place before Canadians one week ago today here in Ottawa.

Principles

The principles are simple, direct and clear.

First, government has no absolute right to more and more of the hard-earned cash of working and investing Canadians when:

- Government is too large;
- Taxes are too high;
- Surpluses are endemic; and
- Canadians' ability to compete and make economic and social progress in their homes, communities and families is hampered by all of the above.

Second, there is only one taxpayer who carries the provincial, federal and municipal tax load, not three separate taxpayers unrelated to each other. Governments have a duty to keep this in mind, which is why Prime Minister Harper committed himself and the government to significant tax reduction in our first budget; tax reduction in every way the government raises money from Canadians.

And finally, government must be respectful of the dollars they spend. Taxpayers expect and demand that spending is focused, transparent and accountable. We must ensure Canadians receive good value for the money they send, and the money we spend.

Tax Relief

It was a distinct honour for me to begin the delivery on those commitments by proposing tax reductions totalling $20 billion for Canadians in all walks of life and in every region; the largest tax relief plan in recent history, and greater than all the tax cuts proposed in the last four federal budgets combined.

This budget delivers more than twice as much tax relief as new spending. For every new tax dollar we spend, this government is returning two dollars to hard-working Canadians.

Whether it is the 1-per-cent GST tax reduction across the board, the new Canada Employment Credit, a permanent reduction in the lowest income tax rate, as of July 1, or increases in the basic tax-free exemption for all Canadians, these tax cuts are broad, evenly directed and helpful to millions of Canadians from coast to coast.

This budget delivers tax relief people can see. Tax relief that makes a difference. Tax relief Canadians can count on.

And in fact, over 655,000 of our fellow Canadians who earn in the lowest bracket will be relieved of any federal income tax burden all together.

All this within the iron commitment of our government to a balanced federal budget.

Investing in Priorities

And we are doing all this while investing more in healthcare, more in childcare, more in defence and national security, more in policing, safe communities and protected borders, and standing with our farmers across Canada who deserve and merit transitional support during these challenging and unbalanced global commodity pricing periods.

Part of how we can do this is because we are determined to reduce waste, redundancy, overlap and unchecked growth in the federal government's own spending.

Expenditure Management

Over the past five years, total program spending has grown by an average of 8.2 per cent annually. In 2004–2005 growth in spending increased by 14.4 per cent.

This growth is neither sustainable or desirable.

Our budget brings that down to 5.4 per cent for this year, and 4.1 per cent next year. A clear departure from the past.

As you can see, our government is determined and focused. We are reigning in spending and looking inwards to see if we, as a government, have our own house in order.

As a result, we will be moving ahead with an ongoing review of all programs and departments in order to ensure compliance with the following principles:

- First, that government programs are focused on results, and value for money;
- Secondly, that programs are consistent with federal responsibilities;
- And thirdly, that, when programs no longer serve the purpose for which they were created, they must be terminated.

We intend to identify $1 billion in savings over this year and next and report by the fall.

Our government will be open and straightforward with Canadians regarding the finances of Canada. The days of surprise surpluses are over.

We want to create a new culture of responsibility to replace the culture of entitlement we saw under the previous government.

When a federal government chronically underestimates its revenues, understates its surpluses, so that it is only after the fiscal year is long gone we find out just how much excess cash is sitting in our federal coffers, that means Canadians are taxed too much.

What is worse, it transpires in a way that Canadians, business and community groups, even Parliament itself, are never given the chance to discuss how much of a surplus cushion Ottawa should have and what appropriate tax levels should be.

The tax system does not exist to fund large federal surpluses that give license to spend the people's hard-earned cash as if it belonged to the government of Canada.

Government works for the people, and not the other way around. The relationship between tax dollars collected and federal fiscal planning should portray a genuinely respectful relationship with that principle.

The budget delivered last week underlines and embraces that kind of relationship between a government and the taxpayers to whom it is accountable.

The Canada we have all inherited from those who have come before, and the Canada we all have a duty to help build and make stronger still, was not built by more and more federal programs. It was built by hard-working Canadians striving for better lives for themselves, their families, their communities and their neighbourhoods.

That is why our budget provides Canadian families with children under six a new $1,200 a year Universal Child Care Benefit so they can make their own choices on childcare, helps apprentices in the trades, encourages young Canadians to participate in physical fitness and sports programs, assists with university education deductions, and reduces the tax burden on small business.

It is on the farm, in the classroom, on the factory floor, in research labs and small businesses, on construction sites and community centres and church basements of all denominations where this country moves forward everyday.

And that is where we should be removing the burdens of excess taxation, encouraging independence, initiative, family and hard work, because they are at the very core of what drives and enriches Canadian lives.

Government should be there to help in those areas that cannot be faced alone by hardworking and decent Canadians; in those areas where a framework of equality of opportunity truly reflects our values as caring citizens, neighbours and human beings very much in the Canadian tradition. In education, in health care, in securing safe communities, in public health, in supporting persons with disabilities, in defence and in removing the capital gains tax from donations to cultural, social and health charities, government has a role to play and we have embraced that role in this new budget.

In all cases we are acting to increase opportunity, enterprise, community and the best of Canada in focused and fiscally responsible ways.

As the Finance Minister and Minister Responsible for the GTA, I am honoured to be part of a new government that embraces this kind of break out from the old paradigm of Ottawa over-spending and knowing best.

Instead we are focusing on priorities that produce real results for people in their daily lives. Take infrastructure for example.

Infrastructure

Our budget provides over $16 billion in more infrastructure spending over the next four years.

This is a long-term investment that will mean better roads, more efficient borders, and modern public transit, which will occur in two ways: one, over $1 billion in transit capital for new buses and trains and two, we are proposing a 15.5-per-cent transit tax credit on monthly transit passes to get people out of their cars.

The ultimate goal of these investments is to get people and goods moving in order to keep Ottawa, the GTA and all of the regions of Canada competitive.

Productivity

Making Canada more competitive and more productive is an essential part of what our first budget is all about. In fact, there are 23 specific initiatives in this budget to move us forward on this front.

Productivity and competitiveness is about innovation, fair and reasonable tax rates, education, research and development and enhanced workplace productivity.

From the $1 billion post-secondary infrastructure fund, we will be assisting with textbooks, reducing corporate and small business taxes, increasing the incentives to be in the workplace and moving away from the high-taxes, high-spending, high-surpluses model of federal fiscal policy of the previous federal government.

We are embracing a new beginning: a beginning where the taxpayer is respected as opposed to being overburdened; a beginning where the federal, provincial and territorial governments can work together, like we did on softwood lumber, to restore fiscal balance to the federation; and a beginning where we support families, reward initiative, foster productivity in all regions of Canada.

Conclusion

With this budget we have turned a new leaf.

We have turned a new leaf away from excessive taxation and wasteful federal spending,

We have turned a new leaf away from condescension to the provinces and feigned and unnecessary hostility towards our greatest allies and trading partners to the south,

We have turned a new leaf away from government that puts being big ahead of every other value or attribute.

Our government is focused, deliberate and fiscally responsible. Our government has a few priorities at a time and is not prepared to over-promise nor overspend. Our government knows its place and respects its core accountability to the taxpayer.

During the cold winter campaign just past, we made a commitment to Canadians—a commitment to provide substantial tax relief, a commitment to balance the books and reduce the debt and a commitment to reduce spending and provide real value for the tax dollars Canadians send us.

In this, our government's first budget, we delivered. We provided more tax relief than the last four federal budgets combined. We reduced spending to below the rate of economic growth. We paid off $3 billion in debt, with an ongoing commitment of debt reduction. We delivered our

Universal Child Care benefit, restored accountability and began cracking down on crime.

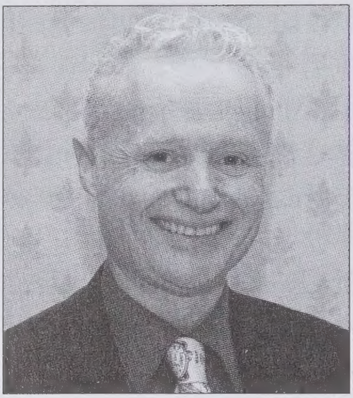
We kept our promises to hardworking Canadians. They entrusted us to focus on priorities and deliver real results and it is for those reasons that I brought forward our budget.

It is in support of that budgetary and governing approach that I am honoured to be here with the members of the Empire and Canadian clubs today.

Thank you all very much.

The appreciation of the meeting was expressed by Rod Phillips, President and CEO, Warren Shepell, and President, The Canadian Club of Toronto.

William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors, The Hon. James M. Flaherty, PC, MP, Minister of Finance, Government of Canada, and Donald K. Johnson, CM, Senior Advisor, BMO Capital Markets.



May 11, 2006

Brian Lee Crowley

President, the Atlantic Institute for Market Studies (AIMS)

EQUALIZATION

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Robin Sears, Principal, Navigator Limited, and Director, The Empire Club of Canada; Paul Moses, Senior Student, George Harvey Collegiate Institute; Rev. Canon Philip Bristow, Incumbent, St. Philips on-the-Hill, Unionville; Len Crispino, President and CEO, Ontario Chamber of Commerce; Terence Corcoran, Editor, Financial Post, The National Post; Jack Mintz, President and CEO, C.D. Howe Institute; David Lindsay, President, Association of Colleges of Applied Arts and Technology of Ontario (ACAATO), and Director, The Empire Club of Canada; Bob Weese, Vice-President, Government and External Relations, GE Canada; Mary Janigan, Editorial Writer, The Globe and Mail; and John C. Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada.

Introduction by William Whittaker

The Atlantic Institute of Market Studies or AIMS to use its acronym is known in the vernacular as a “think tank” or “idea factory.” The idea or concept of a think tank first came from Thomas Clarkson, an Englishman who founded the Society for the Abolition of the African Slave Trade in 1782. By meticulously describing the conditions of the slave trade and combining factual inquiry with moral argument, Clarkson engaged in a war of ideas, which, powered by evangelical zeal, resulted in the abolition of slavery throughout the British Empire in 1833.

Think tanks became prominent in the latter part of the twentieth century, some better known early examples being the RAND Corporation and the Brookings Institute of the United States and England's Institute of Economic Affairs. Ronald Reagan's supply side economics to Bill Clinton's welfare reform and on the other side of the political spectrum, Lyndon Johnson's Great Society, were initiatives started in think tanks.

Like think tanks, colleges and universities hire scholars, encourage research and provide a forum for scholarly interaction. However, these academic institutions differ from think tanks as the research of tenured professors is unmanaged and undirected. The object of research is up to the whim of the professor. Think tanks, by contrast, tend to be very goal-oriented, employing scholars to research specific topics and solve well-defined problems.

No single person was more important in encouraging the spread of think tanks than Sir Antony Fisher, an RAF pilot in World War Two, who later became a successful businessman. Fisher started the Institute of Economic Affairs in London, which became Margaret Thatcher's think tank. Following that success, he helped start the Fraser Institute here and the Manhattan Institute and the National Centre for Policy Analysis in the United States. By the time he died, Fisher had helped start more than three dozen think tanks around the world. Having mentioned the Fraser Institute, I would be remiss if I didn't acknowledge the importance to Canada of the C.D. Howe Institute which will celebrate its fiftieth birthday in 2008, represented here today by its President, Jack Mintz.

AIMS is a four-time winner of the prestigious Sir Antony Fisher International Memorial Award, which recognizes excellence in public policy think tank publications and projects. No think tank in the world has won this award more times than AIMS. Last year, AIMS also won the Templeton Freedom Prize for Institute Excellence awarded by the late Dr. Fisher's Atlas Economic Research Foundation.

During its 10-year existence, AIMS has brought a distinctive and influential Eastern Canadian voice to regional and national debates over such public policy areas as transfer payments, the subject matter of today's luncheon, social policy, fiscal and health policy, health care, educational performance, Canada-U.S. relations and much more. AIMS is financed by contributions from individuals, corporations and foundations as well as by the sale of its publications.

Brian Lee Crowley is the founding President of AIMS, prior to which he headed the Atlantic Provinces Economic Council. He has taught politics, economics and philosophy at a number of universities including Dalhousie, Manitoba and City of London Polytechnic. Mr. Crowley learned French while working as a political aide to the Quebec Minister of Intergovernmental Affairs from 1977 to 1980. He is an authority on health-care policy having served as a member of the Alberta Premier's Advisory Council on Health in 2001–02.

Mr. Crowley is a frequent political and economic commentator for the CBC and other media and his articles appear regularly in the national and regional press. He holds a Doctor of Political Economy from the London School of Economics.

Please join me in welcoming Brian Lee Crowley to our podium today.

Brian Lee Crowley

Almost 70 years ago, a Nova Scotian stood before a Toronto audience and gave a remarkable speech. He told that audience what his part of the country—the Maritimes—needed to overcome its underdevelopment.

The biggest obstacle to the region's development was what he called "the tariff," or the old National Policy of Canada's first Prime Minister, Sir John A. Macdonald, a policy we abolished with the free trade agreement with the United States. So what could Ottawa do to help?

First, lower the tariffs. Failing substantial reductions in tariffs, some compensation for the effects of those tariffs (such as reduced freight rates). Finally, and least satisfactory of all, he said, would be the granting of subsidies from the Dominion Treasury. "Subsidies do not increase the general level of the prosperity of the people. They may make the task of government a little easier. They may render the work of balancing the budget a little less difficult, but in the last analysis they do not add to the economic advancement of the people."

No economist, the speaker still understood in his gut how things worked. His essential argument was that if you removed the barriers to people's prosperity they would quickly make up any lag compared to wealthier and more developed places. Try instead to compensate for underdevelopment with money and it creates dependence.

Economic theory and real-world experience in places as diverse as Ireland, Japan, the Netherlands, the Asian Tigers, China, India, Slovakia, and elsewhere agree: lagging economies naturally catch up with advanced ones. Normally a lagging region should close the gap in economic performance with its relevant leading economy by 2 per cent to 3 per cent annually. Yet Atlantic Canada's economy has converged with that of the rest of Canada at less than half that rate. The reason is massive federal intervention, financed, in large part, with tax dollars from Ontario and Alberta.

How massive has that intervention been? If you took the net transfers into Atlantic Canada (federal spending in the region minus federal taxes collected in the region) between 1971 and 2003 and had invested the money in the TSE/TSX 300 and reinvested all the dividends, that account today would be worth more than $2.2-trillion, enough to pay off the entire national debt of Canada four times over. And what have we got in exchange for this vast opportunity cost? A rate of convergence less than half what we would have expected to achieve if we had done nothing at all.

This failure is not due to Atlantic Canada and other underdeveloped parts of the country not being "normal." In the postwar era to 1971, Atlantic Canada's per-capita economic growth often outpaced the nation. Only when Ottawa dramatically increased transfers in the early to mid-1970s did the region's growth falter relative to the rest of Canada. To cite only one example, consider how unemployment in Atlantic Canada behaved before and after the broad liberalization of Unemployment Insurance in 1971. Atlantic Canada unemployment had just converged on the national rate in 1970. Then, bingo, we were clobbered by the insurance reforms.

Federal programs aimed at accelerating convergence and minimizing economic disparity have encouraged Atlantic Canada to become reliant on Ottawa's generosity.

This phenomenon becomes particularly instructive when placed in the context of the complaints successive Ontario governments, including Dalton McGuinty's, have made in the past 15 years or so that Ottawa is taking too much out of the Ontario economy. The trouble is Ontario has been asking the wrong question. The right question is not "Is Ottawa taking too much?," even though I think the answer is unambiguously "yes." The far more interesting question is "What is Ontario getting for the money?" Canadians would be far less supportive of massive spending if they know that not only do the transfers fail to achieve objectives of fairness and equity, they impose a burden of taxation on Ontario that is making it uncompetitive with economies across North America.

Ottawa's good intentions have held back underdeveloped regions across the country, in this case making Ontario uncompetitive while undermining the Maritimes. Two examples demonstrate how bad policies affect behaviour for the worse, creating perverse incentives in vulnerable regions that encourage dependence, policy paralysis, low growth and unemployment.

Engage with me in an experiment. Imagine you are a provincial finance minister in a less-developed province. With your cabinet colleagues, you would like to find some new money to spend on programs—health care, education, roads. There are basically four ways you can find the money.

First, you could actually encourage growth of the provincial economy. You would get more money because the same tax load on a larger pie generates more revenue. Second, you could raise your taxes on existing economic activity. Third, you can get transfers from Ottawa. Fourth, you can borrow. Each of those choices comes with a certain set of rewards and penalties attached to it.

Option 1: Create conditions where the economy will grow. That's often a difficult thing to do. It might involve taking on the trade unions and liberalizing labour market rules. That will get you thousands of protesters on the steps of the legislature. You might have to cut business taxes, introduce user charges on public services or cut inefficient and unproductive public employment. You might need to reform welfare to encourage people to return to the work force.

Most of the measures necessary to generate economic growth come with a political cost. And even then the tax revenue from growth may take several years to materialize.

All finance ministers face such obstacles to good policy. But there's an even greater obstacle in Atlantic Canada. If the economy does grow and new money comes in the door, what does Ottawa do? Under equalization, Ottawa takes about 90 cents or more of that new revenue by deducting it from your equalization payment. You pay the political cost of reform and Ottawa scoops up the cash.

Option 2: Increase taxes. If you raise taxes on existing business activity, you get to keep the money. Raise your tax take by a dollar and you get an entire dollar to spend, whereas if you generate new economic activity you get at best 10 cents on the dollar, and maybe nothing. The perverse incentives multiply. High taxes can drive away investors and destroy economic activity. Ottawa, under equalization, actually rewards such bad policy by compensating you for its ill effects. So not only do you get a whole dollar from raising taxes on your existing economic activity, but if you damage the economy as a result, Ottawa will help you out.

Option 3: Get increased transfers from Ottawa. A dollar in transfers is a whole dollar available for spending. Remember, if you're trying to grow the economy, it's only 10 cents dollars at best.

Transfers from Ottawa deliver a bonus because the money is raised on the national tax base. You're now getting money to spend on programs for people in your province but the vast bulk of the money comes from other parts of the country and from people who do not vote in your provincial elections. It's a sweet deal for the local voters too, who can vote for new spending knowing they can pass part of the bill on to non-residents.

It's also a sweet deal for those who work for those provinces. Spending other people's money makes the provinces less disciplined about spending. Not only do Atlantic Canada governments have more effective revenues per capita than Ontario and spend more per capita than Ontario. The region also has more public servants at the provincial and local government level (68 public employees per 1,000 Ontarians, but 88 per 1,000 Atlantic Canadians) and pays them more compared with local wages than Ontario pays its public employees. Much of the transfers go, not to providing more services, but creating more public-sector jobs at higher relative wages than Ontarians provide themselves.

The final option for you, our imaginary finance minister, is debt. Borrowing is not as attractive as it once was, but a borrowed dollar is still an entire dollar to spend compared with the 10 cents dollar from economic growth.

A smart politician, adding all these things up, will react to the incentives. You are going to devote relatively little attention and energy to creating genuine sustainable economic development because it takes a lot of effort, and is politically costly. The results are uncertain and, under equalization, you don't get much money out of it. The end result is predictable: high taxes, endless battles with Ottawa for more transfers, and high levels of debt.

That's a quick insight into the political incentives our federal fiscal arrangements have created for less-developed provinces. How about individuals?

Here I want to talk about employment insurance.

Some of you may have noticed an article on the front page of the National Post on May 8 under the headline "PEI plant imports Russian workers: Not enough locals willing to work at seafood facility." The article noted that the province's unemployment rate stands at 10.5 per cent. Similarly, CBC News reported on May 9 that "crab processing plants on [Newfoundland's] Avalon Peninsula are having trouble finding workers, even though there have been hundreds of layoffs at fish plants around the province."

Anomalous? Think again. This barely scratches the surface of the havoc created by an EI system that pays benefits for most of the year in return for a few months' work. Potential workers don't look at the wages they would earn in a new year-round job, but rather at the difference between what they might earn in that new job and what they can earn with a short bout of seasonal work supplemented by months of EI. The difference is often pretty small, not least because the seasonal work cycle has already left these workers without job skills and education that might otherwise make them more valuable to employers.

If you have the standard prejudices about Atlantic Canada, your reaction might be that this makes sense because, after all, there are no jobs down there. Au contraire. Virtually every major business organization in the region reports its members have tremendous difficulties finding workers with the skills they need willing to work at prevailing wages. Those same organizations are pressing provincial governments to come up with an aggressive strategy to recruit immigrants to fill these gaps. We'll soon have 70,000 to 80,000 fewer workers due to retirements and out migration. Even the fishery, as these recent stories show, is starting to feel the effects of a shortage of workers. Two summers ago the Halifax Herald devoted the entire front page of their business section for a week to stories about industry after industry facing crippling labour shortages in the region.

What we have is a desperate mismatch between the skills our workers have and the skills local employers need, plus an EI system that pays people not to work and penalizes people who try to get an education (because students don't qualify for EI). Federal and provincial studies galore have repeatedly identified the perverse incentives in EI as the biggest obstacle to Atlantic Canada escaping its chronic underdevelopment.

Ontario Premier Dalton McGuinty and all those who pay into the edifice of programs designed to "help" the poorer regions of the country are right to be scandalized about what is going on, but the scandal is not the gap between what Ontarians pay in and what they get out of Ottawa, but rather the tragic destruction and waste wrought on the hapless "beneficiaries" of your money. The only thing I can say is that I implore you to stop doing us these "favours."

I know you are anxious to discover who the mystery speaker was from whom I quoted at the outset. It was Angus L. Macdonald, the greatest Nova Scotian premier of them all. I still think the message he brought to Toronto 70 years ago was prescient and insightful into human nature and the behaviour of government. He would have felt consternation at how little his advice was heeded here, and disappointment in his own people, of whom he had such high expectations.

Our current approach is failing the poorer parts of the country, damaging Ontario's ability to compete successfully in a tough and unforgiving world, dragging down productivity nationally and exacerbating regional tensions. After 70 years, Angus L.'s prescription of faith in

Maritimers and creating opportunities for them rather than dependence is still the right one.

Help me honour his memory by demanding Ottawa and the provinces put things right so that the next progress report on Angus L's challenge to Canada can say that not only was he right about what doesn't work, but also about what does. As he said all those years ago, "It is the difficult and dangerous effort that has always shouted the most compelling challenge to adventurous souls."

The appreciation of the meeting was expressed by John C. Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada.

Brian Lee Crowley, President, Atlantic Institute for Market Studies, and Robin Sears, Principal, Navigator Limited, and Director, The Empire Club of Canada.

May 25, 2006

Dr. Rafi Mustafa

President, IDRF (International Development and Relief Foundation), Financial Institutions Canada

BUILDING BRIDGES AND BUSINESS THROUGH INTERNATIONAL DEVELOPMENT

Chairman: **Charles S. Coffey,** Third Vice-President, The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, APR, Fellow CPRS, Partner, Mindszenthy & Roberts Corp., and Immediate Past President, The Empire Club of Canada; Joshua Furlonge, Senior Student, Monarch Park Collegiate Institute; Dr. Fuad Sahin, President, Islamic Society of Niagara Peninsula, and Founder, IDRF; Azba Hathiyani, Grade 11 Student, Islamic Foundation School; Harold Brathwaite, Executive Director, The Retired Teachers of Ontario, and Chair, Nelson Mandela's Children's Fund; The Hon. John McCallum, MP, PC, BA, PhD, Constituency of Markham-Unionville; Kamal Hassan, Director, The South Asia Group Ltd., and Director, The Empire Club of Canada; Yasmin Ratansi, MP, Constituency of Don Valley East; and Mohammad Al Zaibak, Chair and CEO, HelpCaster Technologies Inc.

Introduction by Charles Coffey

In parts of the world that are affected by natural disasters or wars or conflicts the International Development and Relief Foundation provides survivors with immediate relief aid such as food, water, clothes, shelter, cooking facilities and medical aid. In countries where there are areas of protracted poverty IDRF assists communities with development aid such as primary education, basic health care, access to clean water, micro credit and training for small business. Since its inception in 1985, IDRF has sponsored hundreds of development and relief programs in 21 countries in Asia, Africa, the Middle East and Eastern Europe.

The work of IDRF is supported by the Canadian International Development Agency and by Canadian men and women from all walks of life.

Our guest speaker Dr. Rafi Mustafa received his PhD in chemistry from the University of British Columbia in 1969. He specialized in computer simulation of molecular structure. He spent four years at the University of Toronto and the University of Windsor as a National Research Council post-doctoral fellow. During the years that followed he was engaged in research and teaching at the University of Leicester in England and the University of Sindh in Pakistan and the University of Khartoum in Sudan.

He left the academic world and started his own IT company in 1991. At present he is a CEO of Indus Systems and serves on the boards of several not-for-profit organizations and today he is the President of IDRF.

Please join me in welcoming Dr. Rafi Mustafa to the podium.

Rafi Mustafa

Distinguished guests at the head table, ladies and gentlemen, it is a great honour for me to be here this afternoon, and I am thankful to the Empire Club of Canada for this opportunity. I would also like to thank HelpCaster for sponsoring this event.

Let me tell you a little bit about IDRF, especially for the benefit of those who are not familiar with this organization.

The International Development and Relief Foundation or IDRF was set up in 1985 by the Council of Muslim Communities of Canada, and its mission is to help the destitute of the world, regardless of race, religion or colour. Even though IDRF still relies heavily on the generosity of Canadian Muslims for its funding, the list of its supporters includes donors such as the Mennonite community, various church groups, corporate donors, the federal and the provincial governments, and many, many individuals, organizations and foundations.

Over the past 20 years, IDRF has gone from country to country in Europe, Asia and Africa, setting up schools, creating jobs, digging wells, and providing food, medicine and basic health care to the needy.

This was a brief introduction to IDRF. Let us now come to our topic and examine how we can build bridges and business through international development. This afternoon, I would like you to meet a man from the other side of the globe, whose life has been touched by the people of Canada. He is a 37-year old fisherman, who lives with his wife and a 12-year old son, named Murshid, in a coastal town in Bangladesh. There was a time when he used to spend his entire day on the boat, but he was never able to catch enough fish to provide an adequate living for his family, until one day, when he got a loan from IDRF to buy a fishing net, which he did. His daily catch went up, he had more money available to look after his family, and soon he was able to pay off the loan. He even started sending his son to school and gave him five takas every day as pocket money.

Those five takas were enough for little Murshid to buy a packet of roasted chick-peas, a popsicle, and a pack of chewing gum, and he still had some change left over—or with five takas he could buy a can of Coke, which he had never tasted before. He did not want to spend all his money on a can of Coke, so he resisted the temptation for a few days until he could fight it no more.

One day, during the school recess, he ran to the nearby store, and threw his five-taka coin on the counter. Moments later, for the first time in his life, he was holding in his hand an ice-cold can of Coke. He opened the can and took his first sip, then another sip and then another one, until he had a big belch. He put his hand on his belly and laughed. He thought that it was a drink from heaven.

Little Murshid had suddenly become a consumer. He had acquired purchasing power, and had used that power to buy for himself a can of Coke.

I can't tell you precisely how that five-taka coin was distributed. Obviously some of it went to the local retailer, some went to the Government of Bangladesh in taxes, some went to the employees of Coca Cola, some went to the suppliers of raw material, some came into your pocket if you were a stockholder of Coca Cola, and some went to the Government of Canada when you cashed your capital gains.

A little intervention from IDRF had put money into so many pockets and in that process it had created a market, and had empowered the consumer.

The government, the corporate sector, and the individual donor form the three corners of an equilateral triangle, and the NGO sits at the centre of that triangle. The NGO gathers its resources from the three corners and returns the dividends to them. The government gets paid in taxes, the corporate sector gets paid in market growth for its products and services, and the individual donor gets paid in tax benefits and spiritual gratification.

International development is good business and that is why countries invest in it. In 1970, 22 of the richest countries in the world, including Canada, pledged to spend 0.7 per cent of their gross national income or GNI on official development assistance or ODA. Thirty-six years later, five of those countries have even surpassed their 0.7-per-cent target, but Canada is not one of them. Countries like Norway and Sweden are now approaching the 1-per-cent mark. Unfortunately, Canada still sits close to the bottom of the list. Last year we spent only 0.27 per cent of our GNI on development. Incidentally, the United States sits at the very bottom of the list, just above Italy at 0.17 per cent. Can you imagine what the world would be like if the U.S. were spending 0.7 per cent of its gross national income on development. Today, the whole world would be drinking Coke instead of water.

If we want to be relevant in the global village we have to learn how to do business.

Apart from creating markets and empowering consumers, development generates tremendous goodwill for the donor country. Let me give you the example of Afghanistan. Not many of us are aware that parts of Afghanistan have gone through seven years of drought and famine. The farmers stopped cultivating the land as they went through the rainless years. Their livestock was wiped out due to disease and starvation, their communities disintegrated and their villages were abandoned as people became nomads and started wandering through the land in search of food and water. Finally, when the rains started coming, it was already too late. The farmer had no seed to sow and no ox to pull the plough. At that time IDRF undertook an initiative with CIDA funding to revive agriculture in that area. The farmers were brought back, fresh livestock was acquired, and seed banks were set up.

Two years ago, I had the opportunity of spending some time with a farming community in the province of Balkh and Faryab in Afghanistan. I noticed that whenever our interpreter introduced me to the people, he mentioned the name of Canada and they came forward to embrace me with a smile. When I asked the interpreter why they were so excited when they heard the name of Canada, he told me that during the previous year the farmers were given the seed provided by IDRF, and they had a bumper crop of wheat. The price of wheat came tumbling down, and bread was selling at less than half the pre-harvest price throughout the province. When people were told that the seed was given by Canada they found out that there is at least one country in the world beyond their borders and it is called Canada.

This is what the global village is all about. Humanity has a common destiny, and we have no choice but to join the world for our own survival, because our survival depends on the survival of others. We must ensure that our markets are not demolished and our trading partners are not destroyed by waging wars and promoting conflict. Canada has always been known for building bridges, and we must stay on that path if we want our future generations to survive. If there is fire in one corner of the global village, we must dispatch fire engines from other corners, otherwise the fire will sweep through the entire village.

I would like you to meet another man from the other side of the globe. I met him in an earthquake relief camp in Pakistan. As I talked to the people around me, I noticed that he stood silently behind the crowd, listening to our conversation. I wanted to talk to him but he did not come forward. Finally, as I was leaving and the people were departing, he came forward and shook my hand. He asked me where I had come from and I told him that I was from Canada. He said to me, "You know, I was a school teacher here before the earthquake, but now, I don't have anyone left to teach. All my pupils are dead. My whole family died. My parents, my wife, my children, my sisters are all gone, and I am left all alone in the world. At first, I was devastated and wanted to end my life too, but it is people like you, coming from thousands of miles away to help us, who have given me the will to live. I have met Americans and Russians and the Chinese and the Japanese and Indonesians and Turks. The whole world is here, and this has strengthened my faith in humanity. I want to hug each and everyone of you, and tell you that I have decided to live, so that you won't be disappointed. I have come to the realization, that in spite of all the wars and bloodshed around us, we are all one—and we can feel the pain of one another, as if it is our own pain."

Thank you very much.

The appreciation of the meeting was expressed by Kamal Hassan, Director, The South Asia Group Ltd., and Director, The Empire Club of Canada.

June 6, 2006

Akela Peoples

Co-Founder, President and CEO, Youth in Motion

TOP 20 UNDER 20

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Kamal Hassan, Director, The South Asia Group Ltd., and Director, The Empire Club of Canada; Laksh Vig, Honour Roll Student, Westview Centennial Secondary School; Rev. Michael Clarke, OC, Associate Priest, Church of the Incarnation; Fariba Anderson, Partner, The Manta Group, and Director, Youth in Motion; Margaret Hachey, Executive Vice-President, Duocom Canada Inc.; Brian Hunt, President and CEO, Institute of Chartered Accountants of Ontario; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; James Cowan, Managing Director, Macquarie North America Ltd.; Lisa Banks, Senior Director, Community Affairs, Bell Canada; and Charles S. Coffey, Executive Vice-President, Government Affairs and Business Development, RBC Financial Group, and Third Vice-President, The Empire Club of Canada.

Introduction by William Whittaker

Today's date in numeric form is 06-06-06, a once-in-a-century occurrence. An Empire Club luncheon focused on youth is almost as rare an occurrence. However, we are showing signs of progress as this is our second luncheon in the past year focused on youth. Last year, then nine-year-old Hannah Taylor spoke to us about her Ladybug Foundation campaign for the homeless. Hannah is one of the Top 20 Under 20 winners this year and we are pleased she is with us today.

Older people always like to pontificate about youth and I quote the following people in alphabetical order and not on the basis of profundity:

- The secret about staying young is to live honestly, eat slowly and lie about your age (Lucille Ball).
- Always be nice to those younger than you, because they are the ones who will be writing about you (Cyril Connoly).
- The most aggravating thing about the younger generation is that I no longer belong to it (Albert Einstein).
- Blessed are the young for they shall inherit the national debt (Herbert Clark Hoover).
- Youth is a religion from which one always ends up being converted (Andre Malraux).
- Youth is a wonderful thing. What a crime to waste it on children! (George Bernard Shaw).
- The denunciation of the young is a necessary part of the hygiene of older people, and greatly assists in the circulation of their blood (Logan Pearsall Smith).

While our Top 20 Under 20 guests no doubt know most if not all of these names, how many of us over-twenty-year-olds know what contemporary young Canadians are thinking and doing? While some of us can name their current interests in music—Black Eyed Peas, Coldplay, Franz Ferdinand, Metric, Our Lady Peace, Nine Inch Nails, Nickelback and The Goo Goo Dolls—we generally know little else about today's teens, particularly when we no longer have teenagers at home. So today's luncheon with these 20 exceptional young Canadians is a learning opportunity for most of us.

The Youth in Motion Educational Foundation, with offices in Toronto and Calgary, is a national charitable foundation focused on developing the employability and life skills of Canadian youth to prepare them effectively for success in life and work. Its mission is to help Canadian youth make meaningful life and career decisions while inspiring them to be contributing citizens of Canada.

In 2004, Youth in Motion launched Canada's first national award and mentoring program for youth, Top 20 Under 20, which honours young Canadians under the age of 20 who have demonstrated a significant level of achievement, innovation and leadership. We are pleased that the 2006 Top 20 Under 20 award winners, who were introduced to the media earlier today, are with us together with

Youth in Motion's Executive Director Akela Peoples who will introduce them in a moment.

Ms. Peoples, who is the Co-Founder, President and Chief Executive Officer of Youth in Motion and the moving force behind the Top 20 Under 20 awards program, was recently named by the Women's Executive Network, as one of the Top 100 Most Powerful Women in Canada. She was the youngest-ever recipient of the YMCA's Women of Distinction Award for Entrepreneurship in 2002.

Ms. Peoples has proven expertise in the areas of education and fundraising. She has authored three books on mentoring and is featured regularly in the media respecting youth matters.

Please join me in welcoming Akela Peoples, the President and CEO of Youth in Motion, to our podium today.

Akela Peoples

Emerson said, "Do not follow where the path may lead…go instead where there is no path and leave a trail." These words very much represent the group of outstanding young people that are with us today. I am delighted to be here today with my team and Youth in Motion's Top 20 Under 20 award recipients for 2006. I would like to begin by thanking RBC and, in particular, Mr. Charlie Coffey for making today's event possible.

Youth are the future of our country and, unfortunately, all too commonly today, we hear a tremendous amount of negativity about the younger generation. I am so proud to be doing work with so many positive young people who I believe will restore your faith in the fact that the future of our country is in very good hands!

I am not your main attraction today.

I am pleased that we have all of this year's award recipients with us and in a few moments I am going to introduce them to you.

But first, I would like to tell you a little about our organization and why we launched our innovative Top 20 Under 20 Awards and Mentoring program. As Bill mentioned, we are a national non-profit organization and our mission statement is to assist youth in making positive life and career choices. But what I think is the most powerful aspect of our mission statement is actually the second part of it: We strive to inspire youth to become active and contributing citizens of Canada. We all have a lot to gain when each of us is able to give back, even just a little bit or a lot. Because "if we each do a little then we all do a lot!"

A number of years ago, we were getting requests from every province and territory in Canada to expand our successful mentoring programs and career-learning days to impact even more Canadian youth. At that time, we decided that we would launch a unique national awards and mentoring program. It is unique because it focuses on multiple paths to success. As we continue to grow and evolve the program, we hope to raise awareness about the fact that we now live in a country in which you can now go in many directions that will lead you to success in the world of work. You can go to university, there are fantastic college programs, you can be an entrepreneur, or go into the skilled trades. There are many paths to success in Canada and we need to do a better job in educating young people and their parents that we need bright and talented people going in all these directions.

Top 20 Under 20 is a program that has a national call for nominations in partnership with national media partners and as a result, we receive hundreds of applications from all provinces and territories in Canada. We have a very extensive and credible assessment process. We are looking for young leaders who have been innovative and creative and who have had a vision and a high degree of success in making that vision become a reality. Marks are a small part of the assessment process—that is unique! When they are selected as a Top 20 Under 20 award recipient it has been determined by a national team of judges and a finalist team of prestigious Order of Canada judges. Our award recipients are then invited to participate in a week-long Leadership Summit, a prestigious awards celebration, and a year-long mentoring program.

So our goal with this program is not just to applaud their accomplishments and celebrate their successes, but to support and facilitate their continued learning and leadership skill development. We also want to keep them connected as a national community of young leaders as I believe they will be making, individually and collectively, tremendous contributions to the future of our country.

So, in the year following this week's Leadership Summit, they will each be linked with a personal mentor and they will all be dialing in as a group once a month via conference call in which they will be hearing a keynote presentation and will have a once-in-a-lifetime opportunity to have a "Q and A" with a prominent Canadian leader. And when we launch our alumni program, they will re-connect annually with past award recipients and the power of that group, I believe, will be something to behold!

I would like to acknowledge that the head table today is representative of the many people that support Youth in Motion and enable us to do this important work. I am surrounded by volunteers and Board Members both current and past. Partners such as the Institute of Chartered Accountants of Ontario and Bell Canada provide great support and resources to make our programs possible. Thank you for believing in us and in our youth.

Leadership is action not position. And I am about to prove that to you now by introducing Canada's Top 20 Under 20 for 2006. They are young scientists, artists, entrepreneurs, social activists, community capacity builders and global visionaries. They are all under the age of 20 and I think you will all agree that they are leading us towards a very bright future in Canada. Their intros will be brief but their accomplishments are many so I encourage you to visit our Web site at Top20Under20.ca to learn more.

I would ask that you kindly hold your applause to the end and I invite each award recipient to stand and be recognized as I call their name.

Marie Abbott, Age 16; Whitehorse, Yukon

At the age of 12, Marie Abbott became appalled when she learned about the horrific plight of child soldiers. Her interest soon developed into a passion for raising awareness and taking action on children's rights issues.

Miles Aronson, Age 18; Calgary, Alberta

Miles founded "Spread the Love" whose mission is to inspire and recruit young people so that they may lead their own communities in providing hundreds of sandwiches to the hungry and homeless on a monthly basis.

Melanie Bell, Age 18; Coleman, Prince Edward Island

Melanie wrote, illustrated and self-published a 96-page poetry book, "Tears for the World." One hundred per cent of the proceeds from the sale of this book was donated to Farmers Helping Farmers, a local organization that assists farmers in Africa through agricultural means. She has recently written a second book and is working on her third.

Kayla Cornale, Age 16; Burlington, Ontario

Motivated by her 9-year-old autistic cousin, Kayla invented and trademarked "Sounds and Syllables™," a teaching system, which applies the musical component of "pitch" to the process of learning language.

Sarah Dubé, Age 18; Halifax, Nova Scotia

Sarah formed a group called "Students for Teaching Peace" which is committed to promoting the understanding and respect of all beliefs and cultures, through advocacy, and education.

Josianne Gosselin-Dubois, Age 18; Gatineau, Québec

At 13, Josianne assisted in the formation of a Youth Commission, aimed at educating and influencing city council on youth issues. Today, she is the Chair of the Youth Commission.

Larissa Fulawka, Age 18; Lac La Biche, Alberta

Three years ago, Larissa created a chess program for young students who struggled academically or had a difficult time interacting with their peers. The success of this program has led to its expansion into other elementary schools.

Naveen Hassan, Age 17; Toronto, Ontario

Based on student concerns about school safety, Naveen initiated three safe school programs at her high school. As a result of her initiatives major changes have occurred at her school including the installation of a student "hotline."

Joanna McNeil, Age 18; Red Island, Nova Scotia

Joanna never dreamed that she could have a role in the Tar Ponds clean up. Joanna embarked on research to discover whether bioremedial processes could provide a clean-up alternative to incineration. Her research has been publicized by the Sydney Tar Ponds Agency.

Heather Muir, Age 19; Walkerton, Ontario

Heather has logged over 8,000 hours and has created a student-only blood clinic which has been recognized by the Canadian Blood Service as having over 40-per-cent eligible donors compared to the Canadian average of 4 per cent.

Sami Obaïd, Age 17; Laval, Québec

Sami is a young scientist who is searching for a cure for neurodegenerative disorders like Parkinson's disease. Sami's promising research has earned him many national and international awards.

Keith Peiris, Age 16; London, Ontario

At age 11, Keith started his own Web development company, Cyberteks Design. What started out as a one-man operation has now grown to include 10 employees with many high-profile clients.

Douglas Price, Age 18; London, Ontario

Doug created a two-act, 14-song musical theatre production. He wrote the entire script and composed all the music and lyrics. He also led the 10-piece band while playing an electronic keyboard.

Aaria Rahim, Age 16; Coquitlam, British Columbia

In 2004, Aaria founded "Teens Transforming the Community" (T3C)—a unique leadership force directed at local teenagers making a difference in the lives of local community members. T3C has raised $5,000 for children in Africa.

Natalie Raso, Age 16; Hamilton, Ontario

In 2005, Natalie conducted research which led to the discovery that a mutant Herpes simplex virus had the ability to selectively kill cancerous cells. This research gained Natalie a first at the 2005 Canadian-wide Science Fair.

Meghana Saincher, Age 18; Edmonton, Alberta

In Grade 11, Meghana set out to develop a non-toxic alternative to current wood preservatives. She discovered that essential oils could be used in place of the current toxic preservatives to decrease the decay of wood.

Jordan Tannahill, Age 17; Ottawa, Ontario

Inspired by the love of film and the need to assist the next generation of Canadian filmmakers, Jordan put forward $3,000 of his own money to start the Canadian National Youth Film Festival (CNYFF).

Hannah Taylor, Age 9; Winnipeg, Manitoba

Since the age of five, Hannah has opened her heart to people who are at the lowest point in their lives. She founded a national charitable organization known as the Ladybug Foundation which has raised over $500,000 for homeless organizations.

William Turk, Age 18; Winnipeg, Manitoba

William's interest in science and innovation began in grade 9 where his research into mammalian retina earned him a Gold medal from Genome Canada and recognition by Maclean's magazine as one of 25 young Canadians who are already changing the world.

Jennifer Wang, Age 17; Saskatoon, Saskatchewan

Jennifer's research revealed that extracts from the root of wild sarsaparilla, a plant native to Saskatchewan, were able to kill cancer cells without substantially affecting non-cancer cells.

I'd like to now invite three of these young leaders to the podium so we can "get to know them" a little better. (Akela invites youth, one at a time, to the podium and engages them in an unrehearsed question and answer period.)

On my office wall, hangs a quote by Katherine Graham that says, "To love what you do and know that it matters, how could anything be more fun." I have the best job in the world. We have such great talent and potential in this country and I am honoured to be working with them and playing a small role in advancing their success.

It has been an honour, pleasure and a distinct privilege to profile these incredible young people making a tremendous difference in our communities and in our country. I hope we leave you inspired and truly believing that the future of Canada is in very good hands. Thank you.

The appreciation of the meeting was expressed by Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada.

June 13, 2006

Dr. Henning Kagermann

Chairman of the Executive Board and CEO, SAP AG

COMPETING IN A GLOBAL MARKETPLACE

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Elizabeth Poon, Grade 12 Student, Lawrence Park Collegiate Institute; Grant Kerr, Pastoral Staff, St. Paul's United Church, Brampton; Sean Jackson, President and CEO, Meridian Credit Union; Robert Courteau, President and Managing Director, SAP Canada Inc.; Stephen Hewitt, Manager, Corporate Communications, NATIONAL Public Relations, and Director, The Empire Club of Canada; Greg Brophy, President and CEO, Securit; and Peter Currie, Executive Vice-President and CFO, Nortel.

Introduction by William Whittaker

A teacher divided her class into two groups—one composed of women, the other men—and asked each group to decide whether a computer was masculine or feminine.

The women concluded that a computer was masculine because:

- In order to talk to them, you have to turn them on.

- They are supposed to help solve your problems but generally they are the problem.
- As soon as you commit to one, you realize you could have got a better model if you had just waited longer.

The men concluded a computer should be referred to in the feminine gender because:

- No one but their creator understands their internal logic.
- Even your smallest mistakes are stored in long-term memory for later retrieval.
- As soon as you make a commitment to one, you find yourself spending money on accessories for it.

The fact that a joke today about the difference between males and females utilizes a computer frame of reference indicates how important computers are in our daily lives. The computer industry has become an important speech topic at the Empire Club in recent years with speakers such as Bill Gates and Michael Dell and today, Henning Kagermann, who represents one important aspect of the computer industry—enterprise software, a business that did not exist 40 years ago. To the uninitiated, enterprise software is utilized by large corporations to operate their businesses covering such aspects as communications, customer relationship management, production, marketing and human resources. Today, it is an industry with annual sales in the $20-billion-dollar range.

Founded in 1972, SAP AG is the recognized leader in providing enterprise software business solutions for all types of industries and every major market. Major players in the enterprise software business are SAP, Microsoft, Oracle and Siebel. SAP is at least three times the size of its closest competitor measured on the basis of annual software license revenue.

Serving more than 33,000 customers worldwide, SAP is the world's largest business software company employing more than 36,000 people in more than 50 countries. Headquartered in Walldorf, Germany, SAP is listed on several stock exchanges including Frankfurt and New York.

Prof. Dr. Henning Kagermann is Chairman of the Executive Board of SAP AG and Chief Executive Officer. Dr. Kagermann has overall responsibility for SAP's strategy, business development and also oversees global communications, global intellectual property, internal audit and top talent management.

Prior to joining SAP in 1982, Dr. Kagermann was a professor of plasma physics at a German university. When asked in a media interview two years ago whether he as the CEO of SAP would hire a theoretical physics professor to run product development, Dr. Kagermann answered "No, but SAP did!"

Dr. Kagermann is currently a member of the supervisory boards of Deutsche Bank AG, DaimlerChrysler Services AG and Munich Re AG.

Please join me in welcoming Prof. Dr. Henning Kagermann, the Chair of the Executive Board of SAP Deutschland AG, to our podium today.

Henning Kagermann

Mr. President, ladies and gentlemen, thank you very much for your invitation. It is an honour for me to speak here in Toronto before the Empire Club of Canada. I promise I will not only talk about software. I will discuss today's subject "competing in a global marketplace" in a broader context.

I frequently meet with CEOs of global companies. Not surprisingly their main concern is how to grow their business. But surprisingly, the same question is discussed amongst our policymakers. For example, I recently joined the new chancellor of the Federal Republic of Germany Dr. Angela Merkel on her visit to the U.S.A. She started a speech before the American Chamber of Commerce in New York with the following statement: "We have to improve or preserve our living standard in Germany."

The same topic is covered in the most recent OECD study of Canada. It talks about "improving the living standard while maintaining the social values that are important to Canada." And this is in fact the same as we try to do in Europe. It is more or less the same as what is discussed among the European policymakers and business leaders. The direction that if followed will bring success is obvious. I again quote our chancellor: "To ensure the standard of living we have to bring more innovative products to the market."

But companies today are competing in a global marketplace. In that marketplace we face challenges from two polarized camps in the world. One is the United States, which from a business point of view is extremely successful. Its success is built on IT, which is more effectively used than anywhere else in the world. U.S. companies as well as the government and society have spent more money on IT than other countries. But they have also invested it more effectively. They invest it more effectively because of a very flexible labour market. Whenever a company incorporates IT, it is automating processes. This cuts jobs. For the moment this is a problem. But a flexible labour market allows job availability to be adapted to the market requirements. It provides the opportunity to develop and to define new professions—thus making new jobs available. Companies are able to offer other and most often better jobs for the people who have been made obsolete. This is not the case in Japan and it is not the case in Europe. And this is one reason why we are not that efficient in the use of IT.

The other camp is Asia. According to my experience we should at the moment not look primarily to Japan. We should observe China as the other extreme to the United States. During my stay in China last spring, I again met the minister responsible for information technology. During my past visits I had to inform him about our plans and what we should do. This time I got a 45-minute lecture about their plans for the next five years. China is still a planned economy, focusing on five-year-plans—their definition as well as their implementation.

Chinese policymakers have on their agenda exactly those topics, which in 2000 the European Heads of State declared as being crucial for Europe to become the most competitive and innovative economy in the world—the famous so called Lisbon Agenda. When I look at the speed of the Chinese policymakers' execution, I am concerned. They will realize what we planned, but in addition they will execute. Amongst European business leaders there is a kind of frustration: We had great forward-looking analyses and great plans five or six years ago. But if we look at execution, we are far away from the goals we defined.

Will there be a third way for Europe, something between the United States' way and the Chinese way?

The discussion in Europe very often comes down to the question of whether national governments as well as the European policymakers should be the first movers to change the situation or whether we as business leaders have the first movers' responsibility. Not surprisingly the government is pointing at us saying that we have to move things forward. We are looking to the government and demanding the legal and political framework we need. First of all we need flexible labour markets.

We understand the policymakers' demands to give something back to society, for example an educated and qualified work force or a safe, legal and political environment. We understand that we need to create jobs again. But can we, as CEOs of global companies, really do something special for Europe? Yes, we can. But we have to do the same for all the places in the world where we are doing business. This is the trade-off.

The question is therefore: "What can we do and how can we proceed to give something back to society globally and not just in our home market?"

On the one hand we as global companies have to be innovative and have profitable growth. I think we agree on that. But this cannot be the solution alone. We have to force not only the business to become more innovative and to grow more profitable. We have to enable society to develop into an innovation economy.

First of all, what can we as businesses do to be more innovative? Company leaders and policymakers agree that we as businesses have more flexibility than a government. Is this enough to be innovative? No, it is not.

Look at Asia, especially at China. It is no longer just a cheap labour market. China is transforming its labour market. Smart people are coming up and producing innovative products as well. The focus on education, an aggressive support of academia, and a close interaction between academia and businesses are also important for being innovative. China is a concrete example.

Secondly, what can we do to be more profitable and to grow? The answer is obvious. Companies have to acquire more customers, and if they want to acquire more customers, in most cases they have to go global to become competitors in a global marketplace. This especially applies to those companies, which do not have a huge home market.

For SAP, for example, Europe is the home market. I think every good business needs a strong home market. But Europe is a very fragmented market. So we went globally very early. Chinese and U.S. companies have very homogenous home markets, which give our competitors a big head start.

That means companies with a small home market have to go outside immediately. I imagine most of the businesses here in Canada, which also has a smaller home market, are to some extent global, at least international.

My home country Germany is another example of a small home market. Germany has already lost four million jobs from its mid-sized companies to Eastern European countries. Their labour costs are 25 per cent of German labour costs. These mid-sized companies went global.

As a third example, in a panel discussion I met a German start-up. With 10 employees he is trading deals in consumer goods, which he buys in Asia and sells over on e-Bay. His business is booming. Since he has to handle a huge number of transactions, he needed a SAP system. I was surprised that he is managing his business with 10 people. If you look at his business model, he is already global. He is situated in Germany, is sourcing somewhere in Asia and he is selling around the world. His business model is fulfilling all relevant legal requirements around the globe.

The key challenge to win more customers in the global marketplace is to offer products, which meet the needs of the global market. In my industry, the software industry, having global products is a necessity and it is one of our key strengths.

If you ask CEOs of all different industries around the world how they view the business in five years from now and what they want to do, you can observe the following. Nearly everybody is moving his business model from a simple product offering to solving a customer's specific problems or business challenges. Nearly everybody is moving to a kind of solution.

But even more important is the transformation from pure product offerings to product and solution offerings.

For example, one of our customers is a well-known producer of drilling machines. In general it is a good business. But nevertheless he analyzed his customers' demands. What do his customers want to have? Do they really want to buy a drilling machine? No, what they actually want is in fact a hole. Why should the manufacturer sell the customer a drilling machine and make the customer's life complex? The same applies with computers, as we have heard in the introduction. Why should he not sell him holes?

He started to transform his business. The first step on the way to selling holes was the management of a tool fleet. This included the ownership and operation of the machines and the knowledge of which machine is doing what for which customer and where. Another and similar example is a customer, who in the past has sold explosives but is now selling broken rock.

This transformation from product selling to solution selling is increasing. Companies solve their clients' pain points and take away or reduce the complexity in their sphere of influence. They bring convenience to their customers. They bring convenience into their clients' business.

But taking away the complexity in the customers' sphere of influence does not eliminate it. It only transfers it into the vendor's sphere of influence, increasing the complexity in their own business. A competitive advantage will be the ability to better manage this type of complexity. The key point will be how to use IT better than others to manage this complexity of the business.

Today, in most cases, competitive advantage is not based on inventing new products. It's based on inventing new business models, different ways of engaging with a client.

And if you agree that in the future most companies will succeed because of the innovation of their business models and that this will be one competitive advantage that they would have, then you will probably also agree that the speed of innovation is of growing importance. In this context we have to pay attention to the fact, that a product is protected by Intellectual Property Rights. With a patent you can protect your product for a specified period and you can protect the competitive advantage the product gives you. But if an innovation is a methodology, a process or a business model, you cannot protect it against your competitors. And the competition will copy the innovative process or the business model. You have to be faster at continuously re-inventing your processes or your business model than they are at copying it. That brings us back to the speed of innovation.

If speed of innovation is the most important competitive advantage, then the traditional way to compete, which primarily has been vertical integration, is not valid any longer. For example SAP has 50 or 60 subsidiaries doing business in 150 countries around the world. To manage these entities was a challenge 10 or 20 years ago. Or another example: a company analyzes the customers' needs. It acquires companies to offer a full spectrum of solutions to meet the customers' needs.

But the challenges today are different. One challenge is the management of people of different cultures. One of SAP's challenges today is the management of a global research and development network spanning 10 different countries. We have a research and development lab here in Canada. How can we bring the Canadian culture together with the German culture? As a first step, that might be easy, but to combine it with the Indian culture, the Chinese culture, the Israeli culture, the Bulgarian culture, with every culture wherever we have labs, in order to come up with one integrated global work force for Research and Development is the challenge we face today.

The other challenge is the management of equal partners in an eco-system. With your own business you can dictate what your people should do. Companies pay attention to the fact that they are not only managing globalization on their downstream business, for example subsidiary selling, but they increasingly have to manage their upstream business which includes: Where do I source? Where do I get talent? Where do I get labour? Where do I have partners who can help me to complete and sell my offering?

Nearly all companies have understood that they have to manage an eco-system, a network of enterprises which is built around a partner within a supply chain, in order to achieve the requirement of speed of innovation.

The third challenge is the management of connectivity required within an eco-system, because the successful management of an eco-system depends on connectivity. We speak a lot about connectivity. We have telecommunication companies helping us to connect to each other. But everybody knows what's happening if you take your mobile phone and you as a Canadian say "hello" in English and on the other end of the line is a Chinese person who does not understand English. You are connected, but you can't do business with each other, because you don't understand each other. If you have to manage many different partners in the eco-system, the question is: "Do you speak the same business language as your partner?"

The same is happening between business processes of different enterprises. If you want to do business fast, as I explained before, you need to connect everybody's processes seamlessly and you need a business language. Is this language available?

From a peoples' point of view, we have already achieved this: English is the business language between human beings. From a technology point of view, it is still missing. If a computer has to communicate with another computer, if software has to speak to software and they have to understand each other without human interference, then the technology has to know exactly how to handle exceptions. We talk about semantics, which is the communication of software based on the content of language.

In the near future we will have this kind of business language. This is described as "services." The IT industry is going into service-oriented architecture. In order to make this service-oriented architecture understandable for people I like to identify using the analogy of the human master plan. Some years ago scientists were able to identify the genome of human beings. We all were very proud that we have 25,000 genes. It's a lot.

People felt that this makes us the crown kings of the universe. But a few months' later scientists surprisingly found out that a simple weed has 27,000 genes. We felt that they might be the hidden champions of the universe. Are we still at the top of the list? The answer is pretty obvious: For the question of intelligence, the number of genes is not relevant. The relevant factor is how flexibly and how intelligently the genes are combined to create something new.

You can understand the different combinations of these 25,000 or 27,000 genes as a kind of language of life. The system of services is similar. It will be a kind of business language.

It is assumed that 98 per cent of all new inventions are done by composing something new based on things, which are known already. It will be of the utmost importance, how smart we are, how intelligent we are in using this flexibility and in combining and creating something new. I'm pointing that out because this might be the winning proposition. It's a big opportunity for companies, which have proven infrastructures that know how to do business. It is an opportunity to gain an advantage over the Chinese competitors, who are still at the stage of implementing ERP. I think we're beyond that stage.

Coming back to my question: Will there be a third way for Europe between the U.S. way and the Chinese way?

Yes, there might be and I see two opportunities. One is to take advantage of the next wave of IT, of the namely service-oriented architecture. As I described, this is the business language, which enables enterprises to do business more seamlessly in automating business more than today. And first movers will have a head start. I think that we in the developed countries can have such a head start. I think that we can be faster and more innovative than our competitors in the developing countries.

The second point is: We should not forget that those who will win in the future will be the ones who have not only more intelligent business models and business process, but who also have in addition more intelligence in the actual products, in other words, who incorporate "embedded systems" into their products. IT embedded in products drives product intelligence. For example, your car is getting smarter and smarter. There will come a time when the car is driving for you. But today at least it already indicates when it needs to go to a service station or if it needs some maintenance.

The same will happen more and more in the whole enterprise environment, in production, in sales, etc. The systems will monitor themselves and will indicate when an operator needs to interfere. And that is also a winning proposition for companies in developed countries. They will have a competitive advantage and a chance, because of the synergy between different disciplines, between engineering software and others. This, I think, will be the big opportunity.

And a final point: We have to focus on the link between academia and business. I'm always surprised when I see that we believe we can be more competitive in Europe by just bringing our research and development spending from 2.4 per cent up to 3 per cent. That might solve some problems. But the question is: Are we spending our money for research and development smartly? In most of our countries we have a very good network of universities. But the issue is that the link between universities and business is not the best it could be. If I look to my industry, I honestly have to say that we give money to universities, that we teach people and that we educate students. But if we look at the results of research and innovation, what they develop is never good enough to immediately bring into practice. They have very tiny little models to practice on, which do not reflect the reality of these huge real-life complex systems companies are working with. Whatever they develop, it takes years to launch a functional product or solution.

But that brings us back to this catalogue of services: With this business language, IT also gives academia a foundation and a tool set with which they will be able to be more innovative and deliver results that stand up to real-life complexity. We will therefore not only find areas where we can innovate and differentiate ourselves, but where we also can leverage what we as developed countries have done well in the past. Thank you very much!

The appreciation of the meeting was expressed by Stephen Hewitt, Manager, Corporate Communications, NATIONAL Public Relations, and Director, The Empire Club of Canada.

June 15, 2006

Leonard Asper

President and CEO, CanWest Global Communications Corp.

GLOBALIZATION OF MEDIA: HOW CANADIAN COMPANIES CAN SURVIVE

Chairman: **William G. Whittaker**
President, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Associate, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada; Sandy Do, Graduating Student, Westview Centennial High School; Rav Baruch Frydman-Kohl, Beth Tzedec Congregation, Toronto; John Hinds, CEO, Canadian Community Newspapers Association; Stanley H. Hartt, Chairman, Citigroup Global Markets Canada Inc.; Peter Viner, President and CEO, CanWest MediaWorks Inc.; Chuck Winograd, President and CEO, RBC Capital Markets; Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada; Gary Maavara, Vice-President and General Counsel, Corus Entertainment Inc.; Rita Cugini, Ontario Regional Commissioner, Canadian Radio-Television and Telecommunications Commission (CRTC); George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company, and Past President, The Empire Club of Canada; and Kevin O'Brien, Partner, SECOR Consulting.

Introduction by William Whittaker

Leonard Asper is the fourth speaker in our luncheon series entitled "Canadian Industry in a Global Economy" which focuses on the challenges Canadian businesses face in a rapidly changing world. The series sponsor is Secor Consulting, the largest independent strategy-consulting firm in Canada, which is celebrating its 30th anniversary this year.

I must apologize to our speaker and audience today, as I do not have my usual articulate and incisive introduction given business pressures and another Empire Club luncheon earlier this week. I don't even have a good joke for you!

However, don't expect a reduction in your luncheon fee, as a shorter introduction will allow our guest to speak longer.

CanWest Global Communications Corp. is Canada's leading international media company. Its diversified holdings include Global Television, a coast-to-coast network reaching more than 90 per cent of English Canada; eight specialty TV channels including Prime TV and radio stations in Winnipeg, Kitchener and Halifax.

Its affiliate, CanWest MediaWorks Publications Inc., is Canada's largest newspaper publisher with 10 major metro dailies and 23 community newspapers and a growing interactive media business.

CanWest also has a significant television and radio broadcasting presence in Australia, New Zealand and Ireland.

Leonard Asper, a member of the Law Society of Upper Canada, joined CanWest in 1991, initially overseeing its international expansion. He became President of CanWest in 1999 and in 2001 was named CEO of the Year by Playback Magazine, a Canadian television and film production industry publication. In 2002, he was a recipient of the Top 40 Under 40 award, which recognizes achievement in Canada by individuals under 40 years of age.

Mr. Asper is a director of the University of Winnipeg Foundation, the Business Council of Manitoba and the Canadian Council of Chief Executives.

Please join me in welcoming Leonard Asper, the President and CEO of Canwest Global Communications Corp., to our podium today.

Leonard Asper

First let me say that it is a privilege to have this opportunity to speak to the Empire Club of Canada and I thank President Bill Whittaker for inviting me to be with you today.

My subject today is globalization of the media and what it means for Canadian media companies, for government regulators and lawmakers, and for consumers.

CanWest Global—A Brief Synopsis

Many people know CanWest by our most oft-discussed properties—the National Post and Global Television. But in fact those are far from the largest assets in our group.

In Canada, the Global Television group includes the 11-station Global Television network, the five-station CH network and eight so-called "specialty channels," from the newly branded Prime TV, now TVtropolis, to Mystery channel to Deja View to Xtreme Sports. We own two radio stations in Canada and a license to start a third.

Of the roughly 100 dailies in Canada we own 13, including the National Post, reaching approximately 15 per cent of the population. We own a cluster of community newspapers. We operate the canada.com portal here, and of course have dozens of Web sites associated with the various properties. Our publishing group also includes Infomart, a business-to-business reseller of ours and others' content.

We reach over five million Canadians every single day.

In New Zealand we own two national TV networks, 29 radio stations running on six networks and in Australia we own the Ten Network and Eye Corp., an out-of-home advertising company that has operations in Australia, New Zealand, Malaysia, Indonesia, Singapore, and the United Kingdom. We own one radio station in the U.K. and we were the first-ever foreign company to receive a license to broadcast in the U.K. We have applied for several more licenses.

As part of our emerging markets strategy, we acquired four top-rated radio stations in Turkey and are the first foreign investor in that country's media market.

Our strategy is as follows: to own and operate businesses in an integrated way in the publishing, television, radio, Internet and out-of-home advertising businesses. Our growth plan is based on three fundamental premises: optimize results from existing assets; invest in higher growth segments of the media business; and strengthen our balance sheet. Everything we do and will do fits into this rubric.

As you can see, we are highly diversified: 10 per cent of our profit comes from Canadian television, and even with Global's lower profits over the last few years, the normalized figure is only about 20 per cent. Another 50 per cent of our profit comes from the publishing business in Canada, and 40 per cent comes from Australasia.

What Is Going On Out There?

It is actually very simple to describe. It all starts with the word digital. In the late 1960s everybody thought putting humans on the moon was the piece de resistance defining how smart we were. But somewhere, somebody in a room was sending a broken down packet of information to somebody else in a room thousands of miles away. This was the predecessor to the first digital transmission. We went from space-hogging microwaves to space-friendly 1s and 0s.

What resulted from this? Everything. The Internet, the 1,000-channel universe, the Blackberry, wireless communications, voice over Internet, satellite radio, cds, dvds, iPods, Playstation, Digital Video Recorders, etc.

Think about how little space travel has progressed compared to the media and communications world since 1969.

Everybody is a producer, everybody is a publisher or writer, everybody is a broadcaster, narrowcaster, podcaster, bitcaster, wikipediac, or social networker.

The digital world is a highly fragmented one. There are no barriers to entry. The advertising pie is splintered into thousands of little pieces, because the audiences are splintered. Advertisers are scrambling because they don't have highly developed strategies for reaching this splintered audience. Exhibitors like TV and radio stations are struggling to maintain audiences. Distributors like cable, satellite and telcos are competing against each other for the pipe into your home, and we are all trying to avoid being disintermediated by the Internet and wireless providers. Who needs the broadcaster or the cable company when you can just download the latest big show or your favourite music?

Canadian media now compete against U.S. media companies like Google, MSN, CNN.com, NYTimes.com and Direct TV, not to mention the major U.S. and foreign media, plus of course millions of individual and community Web sites.

To sum up, digital technology means we are now operating in a global marketplace, in an on-demand world, with unlimited choice.

What Are We Doing About It?

Survival and growth is dependent on what we Canadian media companies do, but also what the government does from a policy, regulatory and statutory perspective.

There are seven major imperatives:

1. Own and Control Content;
2. Invest in Technology;
3. Find the Best People;
4. Develop New Sales Strategies;
5. Jump into the [Inter]Net;
6. Consolidate; and
7. Obtain Smart Regulation.

Content

Every Canadian media company must have a strategy to control as much content as possible, so that it can exploit the new ways to reach consumers wherever they are. Fox or Warner Brothers, not surprisingly, won't sell us the Internet and mobile rights to their shows. We have to exploit our advantages here; that means local news and information, and sports programming. To that end, we have made major investments in news from expanding the number of hours of programming right across the country, to creating Canada's #1 national newscast with Kevin Newman to creating shows like E.T. Canada. We are also trying to create Canadian hits, where we can develop the content with advertisers directly, as was the case with Falcon Beach and From the Ground Up with Debbie Travis, and share the new media rights. Even with foreign programming, such as Rock Star, we have been able to negotiate the video-on-demand rights with the producer, on a revenue-sharing basis.

We are well into the process of spreading our own television content to newer media. Kevin Newman's iPod broadcasts are in the top-20 in the country while his TV newscast is #1. And now our video news content is available on the Blackberry. Is this sending profits through the roof? No, but every day, our new media audiences grow, and ad revenue is starting to come. If yesterday one million people watched a national newscast, tomorrow 800,000 might watch it, 100,000 will download it after the fact, 50,000 might get it on their cell phones and 50,000 will get it on their iPods, Blackberries or whatever other devices are invented. Hundreds of thousands more will receive only segments of the newscast as part of a preselected customized news package.

Technology

Canadian media companies must invest in technology. This means starting with the basics, like moving to High Definition television, and digitizing all plants so that content can be edited, stored, distributed and archived instantaneously and seamlessly from property to property and across platforms.

Very soon any one of our over 2,500 journalists and editors will be able to go into the vast content store and pick stories in whatever medium they were produced and use them for their own media, on a 24/7 continuous news service model. Five years ago I gave a speech wherein I predicted that today journalists would be doing stories for television, print, and the Internet. Some got mad at me. They thought that would mean they worked three times as hard. Now we can't supply enough cameras to print journalists and make enough room on our Web sites for their blogs and vlogs. Why? Because this new era is just plain more fun, and it expands audiences for journalists and puts them more directly in touch with those audiences. And journalism schools, rightly, are training multimedia reporters. We need to give these creative geniuses the tools.

The other area in drastic need of investment is customer-relationship tools, including audience research, customer interfaces, sales systems for our advertisers and better tools for our sales reps.

People

This is probably our greatest challenge in the conventional media business. For years we had licenses and franchises that were oligopoly positions in steadily growing markets. Every year the advertising market rose and since new competitors were limited, our business was to maximize yield in a world where demand outstripped supply. Today, we are in a dogfight. We are in trench warfare for advertisers' dollars and for peoples' attention.

Today, we are retraining and creating a hungry sales force, bringing in more marketing expertise and tools, hiring kids and any of their Moms and Dads who have Internet experience, hiring world class content creators for all media, revamping our legal department to become experts at rights-management issues, and developing an IT-based expertise for both print and television.

We are doing everything we can to make CanWest a place that attracts, retains and gets the best from the top talent there is. I am sure most CEOs in the world would tell you that their greatest issue is people, but if they get it right, their greatest advantage is people. And make no mistake we are in a global labour market too.

Sales Strategies

There is, despite media hype to the contrary, significant opportunity in traditional media.

We are doing product fusion now in our Canadian programming (for example, characters driving GM cars on Falcon Beach) and earning significant new sponsorship and virtual advertising revenue. That is why you see companies sponsoring closed captioning or the first quarter of a game, or why you see a digitally inserted Canadian Tire ad at Heinz Field in Pittsburgh. All of this is of course a response to Tivo and DVRs.

In print, we are breaking the mold with sponsored sections, pages and page segments of newspapers. Our editorial teams talk with our sales forces now. No, the sales reps don't tell the journalists what to write. But if sales staff know in advance we are doing a special section on gardening, they can actually go out and sell advertising for that section. We are using the online forum to develop direct contact with readers, so that we can better understand what they want on a daily basis. We are launching the same initiative in television this fall.

We distribute ringtones and sell sponsored e-mail alerts, we sell ads on our newspaper bags, and we generated 32,000 leads for GM selling a contest for a dinner with the cast of Falcon Beach. There are a multitude of new revenue streams available to us, and we are only limited by our imagination, creativity and the technology to deliver the goods.

Consolidation

People always confuse consolidation with concentration. There is no doubt there will be mergers in the media business. Traditional media have been losing audiences as a result of market fragmentation, and consolidation helps to recapture, or re-aggregate those audiences, although only partially. Consolidation creates the economies of scale that allow companies to develop the tools necessary to succeed on a global stage.

The Internet

I would argue the First Wave of the Internet is over, or within sight. We are migrating all of our businesses online, from print classifieds, to electronic editions of our newspapers, to streaming video and programming. It should be axiomatic that everything media companies do have an Internet component.

But the Second Wave for media companies, and the one with the most promise, is developing Web and mobile-based businesses, and where possible using offline assets to lever their success. An example of this is launching an IPTV channel on the Web only. And in that case, who says the audience is just Canada? The Web and wireless world is deregulated, which means no content quotas, ad limits, or geographical constraints.

Google and Monster.com should have been invented by media companies. Media companies must not miss the Second Wave. Some people call this Web 2.0 but when I ask anyone to define that term, I never get the same answer. And for all the talk about social networking sites and Wikipedia, they don't have business models, at least yet. But if Canadian media companies develop Web and mobile audiences and communities, and learn how to monetize them through advertising, referral, transaction, or subscription fees or other means, we can play on the world stage. To sum up the Internet, we have to fish where the fish are, and be nimble enough to ride each successive wave.

Smart Regulation

The challenge of globalization, just as in other industries, is in the business environment in which media companies operate.

Global Television in particular walks into the ring every day with one hand tied behind its back, due to outdated legislation and policies that reflect a time when there were three channels and no Internet or cell phones. Finally, some sort of reprieve appears in sight. I commend the Harper government and Heritage Minister Bev Oda, as well as CRTC Chairman Charles Dalfen, for this week's timely announcements that they will review the broadcast regulations this year. CanWest welcomes this open-minded approach.

We don't ask for subsidies but we do need a level regulatory playing field. Traditional free-to-air stations and networks are the most disadvantaged by the current regulations and that has to change.

I will mention just a few of the changes that are required.

First, and most important, Canadian conventional television stations need to be treated in the same way as Canadian specialty and U.S. cable channels in the sharing of subscription fees collected by the cable and satellite distributors. You pay $1.40 per month for TSN, you pay nothing for CTV or Global. You pay for CNBC, and CNN, and they collectively receive close to $300 million in fees, while creating no jobs, paying no taxes in Canada, and producing little if any programming. Four conventional networks spend the same amount on Canadian programming as the 60 specialty channels, which receive subscription fees.

Why do you think TSN outbid Global for the rights to Leafs Hockey years ago? They receive close to $150 million in subscription fees. That's quite an allowance.

Prescription drug advertisements appear unrestricted in U.S. newspapers and magazines available on Canadian newsstands and in television commercials beamed into Canada by U.S. TV channels carried on CRTC-licensed cable and satellite distributors, but Canadian media are prohibited from selling prescription drug ads.

This hypocrisy costs Canadian media annual revenues in the hundreds of millions of dollars.

Then there are the advertising limits in general. We are limited to 12 minutes per each hour, while our American counterparts are unlimited. This is another cost of potentially hundreds of millions. Would we be smart about clutter? Of course we would. But at least let our marketing departments, not the government, make that decision.

In the Ripley's Believe It or Not exhibit, you will find that the CRTC requires the purchaser in any transaction for the acquisition of a licensed television broadcasting operation, to commit to industrial benefits expenditures equivalent to at least 10 per cent of the transaction value.

Clearly this policy is nothing more than a tax on transactions and is not designed to encourage a stronger Canadian media industry facing intense global competition. It had its time and place but that is long gone.

Finally, we call upon the government to ensure that its competition laws take into account global competition, not just local players. Google, AOL, MSN and Yahoo are in this market. Yahoo and MSN are by far the leading portals in this country. When the inevitable consolidation comes, the government must allow Canadian media companies to become large enough to invest in the capital to grow and compete, if they want to maintain jobs, head offices, tax revenue and the like in this country.

Wrap Up

I must remind people that we are dealing with what I call "rapolution" (rapid evolution) not revolution. Global Television and CTV each earn more revenue than the entire Internet spent in Canada last year. There are 11 million TV homes, over 50 per cent of which have at least two TVs, but only 250,000 video iPods. DVR penetration is under 4 per cent. That picture will change rapidly, but we have time to adjust. Bandwidth, technology, consumer behaviour, and incompatible software are still major impediments to the arrival of this new paradigm. People still sit on their couch and watch a TV show, read a newspaper or tune into their local radio station in their car. DVR homes watch more TV. Content may ultimately look more like a playlist on an iPod, your TV may become a computer, and you may be able to watch a movie on your cell phone. But people will still need places to sample, and rely on others' judgment to separate the wheat from the chaff. The media company of the future will do what we do today—generate and organize content, promote it, aggregate and then monetize the audiences. There is time to build the new media company, but we traditional media companies have to act decisively, be willing to try new things, and do it now.

We started off nearly 30 years ago as a single television station in Winnipeg. Unlike other Canadian broadcasters, when growth was not available to us in Canada we went offshore or entered new businesses in Canada.

Six years ago we acquired our Canadian newspaper interests as one way to grow our share of the Canadian advertising market in an unregulated business, which is a significant owner and creator of content.

Since then we launched seven new TV channels and two radio stations in Canada, paid down $2.5 billion of debt, developed a new business unit in Australia in Eye Corp., and started a European arm of the company entering two higher growth markets.

Five years from now, you will probably not recognize CanWest. We have survived and grown by reinventing ourselves, constantly shedding our skin and adapting to the environment. We expect to continue to grow both domestically and internationally, develop a serious presence on the Web over and above the natural Web migration of our current businesses and to broaden our footprint in parts of the media industry where we are not currently focused.

And that should keep us busy. The challenge is not the strategy; it is execution. The story line is there; we just have to go out and write the book.

The appreciation of the meeting was expressed by Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and Director, The Empire Club of Canada.

Leonard J. Asper, President and CEO, CanWest Global Communications Corp., and John Hinds, CEO, Canadian Community Newspapers Association.

June 22, 2006

A joint meeting of The Empire Club of Canada and The Royal Commonwealth Society

Her Worship, Hazel McCallion

Mayor, City of Mississauga

HAZEL'S HOPE—A VISION OF WORLD CITIZENSHIP

Chairman: **Peter K. Large**
Chairman, Royal Commonwealth of Canada, Toronto Branch

Head Table Guests

Dr. Charles Mayenga, Co-ordinator, Student Essay Contest, Royal Commonwealth Society; Joey Redican, Grade 8 Student, Deer Park Public School, Essay Contest Winner; Noreen Clement, Dominion Vice-Chair, Royal Commonwealth Society of Canada; Nabarun Chaudhuri, President, Aithent Canada Inc.; Ken Shaw, National Editor and Anchor, CTV News at Six, and Director, The Empire Club of Canada; Dr. H. Ian Macdonald, OC, President Emeritus, York University, Past Chair, Commonwealth of Learning, and Past President, The Empire Club of Canada; The Very Rev. Dr. Douglas A. Stoute, Dean of Toronto, and Rector, St. James Cathedral; Edward Badovinac, KH, Council Member, Royal Commonwealth Society of Canada, Toronto Branch, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook; Willis L. Blair, Former Mayor of East York, and Honorary Director, The Empire Club of Canada; Rev. Dr. John S. Niles, MSM, Rector, St. Andrews United Church, Markham, and First Vice-President and President-Elect, The Empire Club of Canada; The Hon. Sinclair Stevens, QC, Chairman, Royal Commonwealth Society Foundation, Chairman, Planet Today, and Former Cabinet Minister, Government of Canada; C. Warren Goldring, Co-Founder and Honorary Chairman, AGF Management Limited, and Founding Director and Co-Chairman, Operation Dialogue; and William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.

Introduction by Peter Large

Hazel McCallion

Thank you.

I'm honoured to be invited today to speak at the annual combined luncheon for the Royal Commonwealth Society and the Empire Club.

I take great pride in my role as Mayor of the City of Mississauga. Today 700,000 people live in Mississauga. We are the sixth-largest city in Canada, bigger than the City of Vancouver or the City of Winnipeg. We have 52,000 businesses. We are recognized as one of the best-managed cities in Canada. We have a well-established infrastructure and state-of-the-art facilities and a strong, diverse business sector. We deliver quality municipal programs and services to our citizens. We are recognized as Canada's safest city. We are fiscally responsible, and a leading Canadian municipality.

In my official capacity as mayor I have been invited to visit many fascinating nations across the world.

In my talk today I'm going to focus on visits to two commonwealth countries—India and Tanzania.

Visits to these communities were for two very different reasons.

Last year I visited Tanzania with World Vision Canada. On my travels I was touched by the despair of the hundreds of children that are affected by HIV/AIDS. Upon my return to Mississauga, Hazel's Hope was formed.

Funds raised through World Vision Canada go to the children and their families in Tanzania, for prevention education, care, and support to break down the barriers of stigma and discrimination.

I invited the citizens of Mississauga to join together and help the children and they have to the tune of $570,000.

In fact, I celebrated my 85th birthday recently and, as a gift to me, residents and staff were invited to send me a birthday wish by donating a loonie or toonie to Hazel's Hope. That campaign raised $8,000.

I'm so pleased that Mississauga residents have rallied to this cause but then I expect nothing less from the people of our great city.

This spring I led a 10-day trade mission for the Greater Toronto Marketing Alliance (GTMA) to India to attract foreign investment and capitalize on India's growing economic prospects. The delegation attended the National Association of Software and Service Companies in Mumbai and met one-on-one with numerous information, communications and technology-sector companies. It was a strategic opportunity to showcase all that the GTA and Mississauga have to offer. We highlighted how Mississauga is strategically positioned for Indian-based companies looking to set-up shop in Canada:

- Our close proximity to U.S. markets;
- A highly skilled labour pool at competitive rates;
- A stable, business-friendly environment.

I also joined the Minister for Economic Development and Trade, Joe Cordiano, and our provincial and federal representative in New Delhi to open the Ontario Investment Office at the Canadian High Commission. The centre will promote Ontario's economic interests in India and seek trade and investment opportunities in the Indian market.

Through our work with the GTMA, we want to capitalize on India's growth and continue to be recognized as the best place in the world to live, work and play.

My world travels also give me the opportunity to boast about all that Mississauga has to offer business and residents. I also develop friendships with other world leaders and we share our successes and knowledge.

Other Matters Of Interest

Our Healthy City Initiative—Healthy Mississauga 2010 Plan—has improved personal health for residents.

I have received the Order of Canada.

I am running for mayor in the upcoming 2006 municipal elections.

I have had 28 years as Mayor of Mississauga.

This is my 10th term of office as mayor.

Conclusion

Mississauga is a premier city for business in Canada. Its financial health and prosperity look promising and we want to maintain our commitment as a municipal services leader.

I will continue to speak out on behalf of our partner commonwealth nations like India and Tanzania to come to their aid and support. Mississauga is leading today for tomorrow.

The appreciation of the meeting was expressed by William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors.

Members and guests of the Royal Commonwealth Society Toronto Branch and the Empire Club of Canada, I have the honour to express your formal thanks to Mayor McCallion.

The person who wanted to thank Mayor McCallion today was our Honorary Solicitor, William Grenville Davis, sometime Premier of Ontario. I can assure you he moved heaven and earth to change a long-standing directors' meeting commitment in the United States which alas he could not do. Mayor McCallion told me that Premier Davies even called her to express his apologies. So today we missed out on one of the touchstones of recent Ontario politics—the verbal jousting between Brampton Bill and Mayor Hazel of Streetsville.

No doubt Premier Davis's thank you would have been as long as the Mayor's speech today. Perhaps we can remedy our omission by inviting Premier Davis to speak at our Canada Day luncheon next year with Mayor McCallion to thank him so she could have the last word!

My reference to Mayor Hazel of Streetsville was not in error for this is where her political career began and where the McCallion family roots are. The Mayor's late husband, Sam McCallion, was the Charter President of Streetsville's Bread and Honey Festival which is held annually the first weekend in June and celebrated its 33rd anniversary this year. You can usually find Mayor McCallion at Mississauga City Hall each business day, but I can tell you with certainty where she is the first weekend in June each year.

Mayor McCallion reminds me of Harry Truman, the American President who brought small town values to the White House and was a person of strong convictions who didn't suffer fools gladly. Author Merle Miller who wrote the definitive oral biography of Harry Truman named it "Plain Speaking," a sobriquet that can be applied to our speaker today.

Mayor McCallion, part of the advertised title of your speech to us today was "Hazel's Hope..." and you so eloquently described your hopes for Mississauga, the GTA, Canada and that part of the third world suffering from the scourge of HIV/AIDS.

I thank you for your remarks today. We all wish you good health and many more years as the Mayor of Mississuaga and of course, Streetsville.

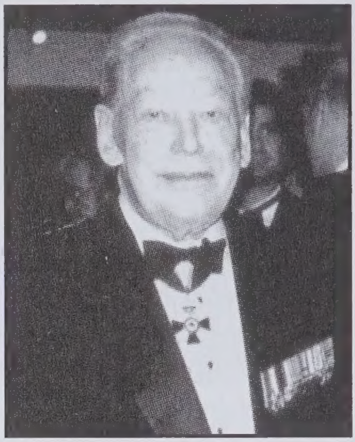
Ken Shaw, National Editor and Anchor, CTV News at Six, and Director, The Empire Club of Canada, and Her Worship Hazel McCallion, Mayor, City of Mississauga.

Left to right: Dr. H. Ian Macdonald, OC, President Emeritus, York University, Past Chair, Commonwealth of Learning, and Past President, The Empire Club of Canada, Ken Shaw, National Editor and Anchor, CTV News at Six, and Director, The Empire Club of Canada, Nabarun Chaudhuri, President, Aithent Canada Inc., Dr. Charles Mayenga, Coordinator, Student Essay Contest, Royal Commonwealth Society, William G. Whittaker, QC, President, The Empire Club of Canada, and Partner, Lette Whittaker, Barristers & Solicitors., Noreen Clement, Dominion Vice-Chair, Royal Commonwealth Society of Canada, Peter K. Large, Chairman, Royal Commonwealth Society of Canada, Toronto Branch, Barrister and Solicitor, Her Worship Hazel McCallion, Mayor, City of Mississauga, Barry St. Denis, who led the National Anthem, Edward Badovinac, KH, Council Member, Royal Commonwealth Society of Canada, Toronto Branch, Director, The Empire Club of Canada, and Chairman, The Empire Club of Canada Yearbook, C. Warren Goldring, Co-Founder and Honorary Chairman, AGF Management Limited, Founding Director and Co-Chairman, Operation Dialogue, Joey Redican, Grade 8 Student, Deer Park Public School, Essay Contest Winner, The Hon. Sinclair Stevens, QC, Chairman, Royal Commonwealth Society Foundation, Chairman, Planet Today, and Former Cabinet Minister, Government of Canada, The Very Rev. Dr. Douglas A. Stoute, Dean of Toronto, and Rector, St. James Cathedral, Rev. Dr. John S. Niles, MSM, Rector, St. Andrews United Church, Markham, and First Vice President and President-Elect, The Empire Club of Canada, Willis L. Blair, Former Mayor of East York and Honorary Director, The Empire Club of Canada.

In Memoriam

M.Gen. Bruce Jarvis Legge, CMM, CM, KStJ, ED, CD, QC

Passed away on February 27, 2006



Major General Legge was born in Toronto Ontario in 1919. He was educated at the University of Toronto, then in 1941 at Osgoode Hall Law School. He was called to the Bar of Ontario in 1949 after his military service in the Canadian Army. In 1955, he founded the law firm, Legge and Legge, with his wife Laura. The General received his QC in 1960.

As Past President of the Empire Club of Canada, 1958–1959, life member, Past Chairman of the Empire Club Foundation and supporter of the Empire Club extraordinaire, he rarely missed a luncheon, executive meeting or dinner meeting in the 15 years since I first met him. During his presidency, he had such notable people as Sir Robert Watson-Wyatt, the renowned inventor of radar, E.P. Taylor, President, Argus Corp. Ltd., the Honourable Lester B. Pearson, MP, Charles E. Wilson, former United States Secretary of Defence, and John Hughes Bassett, Chairman and Publisher, the Telegram, Toronto. As immediate Past President during the first meeting of the next President in May 14, 1959, Lt.-Col. Bruce Legge, acting Chairman of the meeting, introduced General Lauris Norstad, Supreme Commander Allied Powers, Europe, for NATO.

Gen. Legge addressed the club in April 6, 1972, as B.Gen., Chairman of Workmen's Compensation Board of Ontario and Commander of Central Militia Area, during the presidency of Henry N.R. Jackman. In his introduction President Jackman said: "The work of the Compensation Board, under his leadership, has become a model for similar organizations throughout the world as experts from many nations have come to talk, to study and to learn of the accomplishments of the organization which our guest today now heads. He has been honoured by his fellow commissioners by being made Chairman of the International Association of all Workmen's Compensation Boards in the United States, Canada and other Commonwealth countries." General Legge received an unprecedented standing ovation from an overflow audience at the Empire Club for his speech. This is but one example of his great ability to always reach for and achieve the top. When he spoke once again for the eightieth anniversary of the club (on March 4, 1984) he said: "We love our name for its worth. We believe that our great forum of annually published records is renowned in the continuing evolution of the Commonwealth and of our beloved Canada."

General Legge served as Chairman of the Royal Commonwealth Society, Toronto Branch, Chairman of the Royal Commonwealth Society Foundation, Toronto Branch, and National Chairman of the Royal Commonwealth Society. After many years of board service, in 1971 Gen. Legge was appointed Chairman of the Board, Good Neighbours' Club, which is a drop-in centre for the homeless street men in downtown Toronto. He remained faithful to the club, continuing to attend all board meetings until his passing.

He became a Knight of Grace of the Order of St. John of Jerusalem (KStJ) in 1981, Knight of Merit, Ordo Constantini Magni in 1984 and received the Royal Danish Decoration of Honour in Rome in 1984. In 1987, he became a member of the Order of Canada. He also received the Medal of Merit, Baltic Veterans League in Canada in 1989, the Freedom of the City of London (at Guildhall) United Kingdom in 1989 and the Jerusalem Medal, Jewish War Veterans in 1989. The General was the Chairman of the Metro International Caravan (Toronto) from 1981.

He received the Golden Salute Award for Outstanding Service to the Reserves of Germany and NATO Armed Forces of the Federal Republic of Germany in 1980. He was Vice-President of the Atlantic Council of Canada (ACC), a branch of NATO, from 1990. In 1991, I had the good fortune to officially get to know Gen. Legge for the first time at an ACC meeting. Because of his kind interest in me, he invited me on a two-week tour to NATO and SHAPE headquarters in Brussels with the ACC tour group consisting of M.Gen. Lewis, Col. Brian MacDonald, and others.

The General served continuously in the Canadian Forces, active and reserve, from 1938 to 1998 as Commanding Officer, fifth Armoured Divisional Column, RCASC, 1958 to '62, was President of the Royal Canadian Army Service Corps, Association of Canada in 1963, and Vice-Chairman, Commander on the Reorganization of the Canadian Army (Militia). Jocelyn and I will never forget his retirement in 1998 after 60 years of military service. It was attended by many high-profile military dignitaries, family and friends with the Defence Minister Art Eggleton as guest speaker.

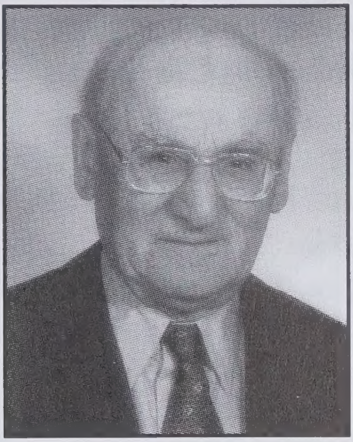
Jocelyn and I knew Gen. Bruce Legge through the Empire Club, Royal Commonwealth Society, the Good Neighbours' Club, the Order of St. Lazarus Toronto Commandery, Churchill Society, Atlantic Council of Canada, the Monarchist League and the St. George's Society.

In many areas, the presence of this energetic, honourable gentleman is sadly missed.

Edward Paul Badovinac, CET, KH, OLJ, MMLJ,
Director, The Empire Club of Canada,
and Chairman, The Empire Club of Canada Yearbook

In Memoriam
B.Gen. (Retired) Stephen Frederick Andrunyk,
OMM, CStJ, CD

Passed away on May 29, 2006 in his 83rd year



Stephen Andrunyk was born in Saskatchewan on November 25, 1923. He graduated from Saskatoon Teachers' College in 1941 and taught public school for one school term before enlisting in the Canadian Active Army in 1942 as a private soldier.

He served as a Corporal instructor in Regina until 1943 when he was selected for officer training. Upon completion of his training at the Officer Training Centre, he was commissioned as a Lieutenant in the Infantry and dispatched overseas. He is a Veteran of World War II with service in Northwestern Europe and Italy under the Loyal Edmonton Regiment. After returning to Canada at the end of the war he remained in the Armed Forces and served in various training, staff, and command posts until his retirement in December 1975 from the Regular Forces having completed 34 years of consecutive service. His primary appointments include command of the 2nd Battalion of the Queen's Own Rifles of Canada from 1964 to 1966, senior Training Advisor to the Commander of the Tanzanian Peoples Defence Forces, 1966–1967, Chief of Staff and Deputy Commander of Ontario Region, 1969–1971, and Canadian Forces Assistant in Warsaw Poland, 1972–1974. On assignment to the Auxiliary Reserve in 1976, he served as Deputy Commander and the Commander of the Central Militia Area, 1976–1980. On departure from the Regular Forces, he was selected President and General Manager of the Ontario Safety League and continued in this post until reaching retirement age in 1988.

To quote a biographical sketch, "In spite of leaving the Regular Forces and having to locate himself in civilian employment and related activities, this officer, at the Area Commander's request, consented to join the Militia at a time when he had many demands upon his time. He is a credit to the service and set an example for dedicated service to the Armed Forces. Colonel Andrunyk is a loyal, knowledgeable and impressive leader. This officer maintains himself in excellent physical condition and has the endurance and stamina of men many years his junior. He is extremely hard working, and frequently when visited at the Headquarters midweek is found working at non-routine hours, and in spite of the fact that he has a demanding civilian occupation as President and General Manager of the Ontario Safety League is involved in community activities."

B.Gen. Andrunyk was President of the Empire Club of Canada from 1981 to 1982. During his presidency, he had such notable people as Pierre Berton, Chairman, Heritage Canada Foundation, the Honourable Michael H. Wilson, PC, MP, Lee A. Iacocca, Chairman of the Board, Chrysler Corporation, John F. Bulloch, President and Founder, Canadian Federation of Independent Business, Elwy Yost, Executive Producer, TV Ontario, Lord Moran, KCMG, the British High Commissioner in Canada, and the Honourable Paul H. Robinson Jr., Ambassador of the United States of America to Canada.

At a dinner in honour of the Lieutenant-Governor of Ontario, the Honourable Pauline McGibbon, by the Loyal

Societies and Militia in September 5, 1980, General Bruce Legge said, "I now introduce a fine soldier who was awarded the Order of Military Merit, the Commander of Central Militia Area, Brigadier General Andrunyk. Stephen Andrunyk was born in Saskatchewan and is a fanatical Canadian! He is an expert on the Warsaw Pact in general and Poland in particular, having been the Canadian Military Attaché in Warsaw. General Andrunyk is a churchman who is active in good works, the President of the Ontario Safety League, and the First Vice-President of the Empire Club of Canada."

B.Gen. Andrunyk's duty to his country was balanced by his service to the Church, helping various Protestant Chapels during his duration in the military. He was a divine and active member of St. Andrew's Presbyterian Church in Toronto (King Street) and Barrie Presbyterian Church. Many boards of management benefited from his common sense and numerous children grew up under the cherished leadership in Sunday School of a military man who adored the Lord and served him faithfully.

My wife Jocelyn and I got to know B.Gen. Stephen Andrunyk during his term, 1988–1990, as Chairman of the Royal Commonwealth Society Toronto Branch.

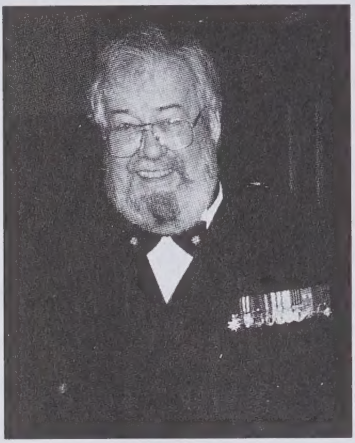
Edward Paul Badovinac, CET, KH, OLJ, MMLJ,
Director, The Empire Club of Canada,
and Chairman, The Empire Club of Canada Yearbook

In Memoriam

The Hon. Mr. Justice Joseph Henry Potts,

SOStJ, CD, KLJ, BA, MA, LLM

Passed away on February 26, 2006



Judge Joe Potts was born in Saskatoon, Saskatchewan, in 1925. His public and high school education were in Saskatoon and he attended the University of British Columbia in 1944 in the second year of Applied Science. He attended University College, University of Toronto, from 1946 to 1949, and received his Honours BA in Political Science and Economics. He was at Trinity College, Cambridge University from 1949 to 1952 and received his BA, MA and LLM. He was called to the English Bar in 1952 and to the Ontario Bar in 1953. He initially practiced as a Practitioner, later becoming a Judge.

His active service was in Holland where he served in the Second World War with the Royal Canadian Infantry Corps, from 1943 to 1946 with the Saskatchewan Light Infantry, as a Private in the Canadian Princess Patricia's Canadian Light Infantry, as a Lieutenant at University of Toronto Contingent COTC, 1946 to 1949, and as Captain and Adjutant in the Cambridge University Training Corps., 1949 to 1952. He was a Captain with the 48th Highlanders of Canada from 1953 to 1960 and was promoted to Major. He was appointed Judge of the Supreme

Court and member of the High Court of Justice for Ontario from 1981 to 1990 and Deputy Judge of the Supreme Court of the Northwest Territories in 1982. In 1990 he was appointed Judge of the Ontario Court of Justice, General Division, until his retirement in 2000.

During Joe Potts's presidency, 1972 to 1973, at the Empire Club of Canada he had such notable people as the Right Honourable Pierre Elliott Trudeau, Prime Minister of Canada, (Joe often reminded us that the main reason he was elected president of the Empire Club was because he was the only person capable of getting Prime Minister Trudeau to address the club.), the Honourable Robert L. Stanfield, Leader of the Progressive Conservative Party of Canada and Leader of the Opposition, the Honourable Mitchell W. Sharp, Secretary of State for External Affairs, the Honourable John B. Connally, former Secretary, United States Treasury and former Governor, State of Texas, Robert S. McNamara, President, the World Bank, and His Excellency Joseph Luns, Secretary General of NATO. This event was a joint dinner held in the Great Hall, Hart House, University of Toronto with the Atlantic Council of Canada and the Royal Commonwealth Society of Canada, Toronto Branch. As Joe Potts stated: "Perhaps I might ask General Legge, representing the Toronto Branch of the Royal Commonwealth Society tonight, if he would express the appreciation of all of us to his Excellency."

He was Past Vice-President, University of Toronto Alumni Association, Past Chairman of the College of Electors, University of Toronto, devout Anglican, Lawyers (Past President), Past Vice-Chairman Royal Commonwealth Society, Toronto Branch, University of Toronto Contingent COTC, Secretary Treasurer of the Past Officers Mess, a member of the Arts and Letters Club, the York County Law Association, the Churchill Society of Canada, the Institute for the Administration of Justice, the Advocates' Society, the Medico-Legal Society of Toronto, the Institute of International Affairs, Couchiching Institute of Public Affairs, the St. Andrew's Society, the St. George's Society, the Royal Canadian Military Institute, Fort York Branch, and he lived in Toronto, Ontario.

Jocelyn and I knew Joe Potts through the Empire Club of Canada, the Order of St. Lazarus Toronto Commandery, Royal Commonwealth Society, Churchill Society, the Atlantic Council of Canada, the Monarchist League, St. George's Society and the University of Toronto.

His outstanding record as Judge and volunteer is testimony to his fine qualifications. This honorable gentleman will be sadly missed.

Edward Paul Badovinac, CET, KH, OLJ, MMLJ,
Director, The Empire Club of Canada,
and Chairman, The Empire Club of Canada Yearbook

ANNUAL GENERAL MEETING
President's Report

June 22, 2006

Chairman
William G. Whittaker, QC, President

William G. Whittaker

Honorary Officers and Directors, Past Presidents, Officers and Directors, members and guests of the Empire Club of Canada:

Notice has been given that our Annual Meeting of Members is to be held on this date and at this place and Alex Squires, our Club Secretary, will act as Secretary for the meeting.

Thank you for attending our Annual Meeting of Members.

In accordance with Article VI, Sub-section 2 of the Empire Club's Constitution, I am required to report on this year's activities—the obligatory reporting of facts, status and achievements of the Empire Club's 2005–06 speaker season, its 103rd year.

And I would like to thank the many of you who helped make this past year a most memorable one for our Club, for our members and guests, our speakers, and certainly for me.

Speakers

As is customary, our speakers this year spoke on a wide variety of topics and were drawn from a diversity of backgrounds and disciplines. They ranged from politicians (two prime ministers and a premier); a governor-general; two ambassadors and a number of business, aboriginal and cultural leaders.

The Empire Club had two significant firsts this year—our first luncheon involving Canada's Islamic community and our first luncheon celebrating the top 20 Canadians under 20 years of age—two entirely new constituencies for our Club. We had the youngest speaker to ever address our Club, Hannah Taylor of the Ladybug Foundation, at our podium again for the second year in a row as one of the Top 20 Under 20 award winners at 10 years of age!

The Club tradition of inviting speakers irrespective of their ability to draw a large audience was continued this year. Prime ministers, ministers of finance and bank presidents draw big crowds with great regularity. However, the Ted Barris's and Brian Crowley's of this world do not have a built-in constituency but their speeches to us this year were two of the more compelling, particularly Mr. Barris's speech last November 17th celebrating the Year of the Veteran.

Meetings and Attendance

We had 42 luncheon meetings and one breakfast meeting of the Empire Club during our 2005–06 year, including 11 joint meetings with the Canadian Club. 10,159 people attended these events, an average of 250 people per event.

Sponsorships

All of our regular events had a head table sponsor which together with student table and head table reception sponsors generated sponsorship revenues of $193,500.00.

There were four significant and sustained sponsors this year who supported four different luncheon series whom I would like to thank—Bell Canada, SAP Inc., SECOR Consulting and Sun Life Financial. We very much valued the interest and support of these series sponsors.

And of course, Past President George Cooke and the Dominion of Canada General Insurance Company and Vice-President Charlie Coffey and the Royal Bank, who have been so helpful in the past, once again sponsored a number of our luncheons this year, particularly ones with speakers who didn't have a sponsor constituency.

Membership

Our membership as at June 1, 2006 was 1,064. We have hovered around the 1,000–1,100 level for some time, so we are replacing members as we lose them, but we're not making any inroads in attracting new members.

Revision of the Club Constitution

At this Annual Meeting, we will be confirming a new general by-law or Constitution for the Empire Club, a process that began over two years ago. The last revision was in 1972 and was sadly out of date. It contained no reference to the Empire Club's current membership categories, no rules respecting the calling of members' and Directors' meetings and no recognition of Honorary Directors to name a few of its shortcomings. These omissions and others have been dealt with in the new Constitution which more closely parallels a standard organizational by-law for an Ontario non-share capital corporation which the Empire Club is.

I must thank Heather Devine and Bill Whiteacre who, with me, worked many hours on the revised Constitution.

Head Table and Attendance

I thank the Directors and Past Presidents who took on luncheon assignments this year; it is a time-consuming duty but so important to the smooth functioning of our Club. It is a sign of the interest and personal networks of our Directors and Past Presidents that head table attendees were appropriate to the particular speaker and our luncheons were well attended. Once a Director was assigned to a luncheon, there was little need for follow up by the Executive.

Public Relations Committee

This committee, consisting of Diana Conconi (Chair), Bart Mindszenthy, John Niles, Catherine Swift, Lisa Baiton, Stephen Hewitt, Alison Vale, and Craig Caryl met on a number of occasions during the past year and was involved in several ongoing initiatives including freshening the Club's image respecting signage and printed material used at our luncheons and publicizing our events in the print and electronic media. The committee has just received a Toronto Star sponsorship for a high school student speech contest culminating in the winners addressing our Club; this will reach a whole new constituency with attendant media publicity.

Head Table Reception and Luncheons

I must thank Jocelyn Badovinac for serving as our historian and compiling copies of the many media reports of our lunches this season, and for her help in the head table reception room. Thanks also to Ed Badovinac who, as editor of our Red Book, had the task of tracking speakers' texts at our luncheons and also assisted with head table receptions.

Our head table lineup and entrance to our weekly luncheons always went off with military precision and aplomb thanks to Sandy Cameron.

And of course, no words can describe the electric effect of Barry St. Denis's singing of our national anthem at our luncheons.

Luncheon Reception

Our amazing octogenarian Bill Duncan was again this year at our luncheons greeting people at the door. Thanks to Kamal Hassan for establishing a roster system of Directors and others to assist Bill.

Director Events

We hosted the following events for our Directors and Past Presidents this year in order to develop closer relations between the people who do so much for the Empire Club on a volunteer basis:

- Reception with Police Chief Bill Blair;
- Breakfast with former Hungarian Prime Minister, Peter Medgyessy;
- Mayor Miller reception (joint with the Canadian Club);
- Presentation by economist Dale Orr.

These events culminated with our Empire Club Foundation charity evening at the Royal Ontario Museum on the evening of May 29th. Thanks to Heather Ferguson and her committee for a successful and enjoyable evening.

Relationships with the Canadian Club of Toronto and Others

I met with the Canadian Club President Rod Phillips and our respective Club administrators at the beginning of my term to determine areas of interest for each Club respecting speaker invitations for the

2005–06 season. In large part, the ground rules we established worked and I urge my successors to continue this practice. The fact that Rod and I are friends of long standing helped smooth the usual day-to-day annoyances between our two Clubs.

I determined early on in my presidency that a suggested relationship with the Toronto Board of Trade wouldn't work as the "give" was always on our side and they were not really interested in joint events. The Royal Canadian Military Institute was another nonstarter as their membership had little interest in our speaker roster this season.

The Economic Club bears watching as they had an active program (34 speakers) during our year. While their events are presently based on a smaller attendance with no television coverage, this could change at any time with them becoming a real competitor. Another challenge for my successors.

Finances

We had another very profitable year for sponsorships. Sponsorship revenues help offset the spiraling costs of running our Club and its many contemplated new initiatives. Sponsorships are now our major source of revenue and allowed us to increase our donation to the Empire Club Foundation this year to $35,000.00.

There is a strong feeling among Club Directors that we should take steps to enhance the value of Club membership. One step in this regard was to hold our Royal York Hotel luncheon fee to $40.00 this year which compares favourably to the Canadian and Economic Clubs' members' luncheon fees of $65.00.

The Empire Club Foundation

John Koopman replaced David Edmison as Chair of the Foundation this year. We thank David for his successes with the Foundation and look forward to John's stewardship.

The Foundation looms large in our public presence. Not only does it publish the annual Red Book of speeches, but it also maintains our Web site with our 103 years of speeches (over 3,000, all of which are indexed and headnoted) and of course webcasts of our speeches. I was the first President whose entire year of speeches are available in webcast format—all my mistakes and miscues are now recorded for posterity!

In Memoriam

Regretfully, three Past Presidents of the Empire Club passed away this past season. The wit and dedication of Major General Bruce Legge (1958–59) and Mr. Justice Joseph Potts (1972–73) were experienced by most of us personally while Brig. Gen. Stephen Andrunyk (1981–82) wasn't active in recent years. They will be missed.

Appreciation

We all owe our Club Administrator Debbie Testa and Anne Lato a vote of thanks for their efforts. Only when you become President do you realize how important the office is and the logistics involved in hosting a luncheon. Also how unprogrammed the nature of the beast is with last-minute surprises and emergencies.

Thanks to Laura Boston and her Rogers Television crew who reacted with good humour and grace to my miscues at the podium. And of course kudos to the Royal York Hotel staff who sure know how to keep us to our 1 p.m. TV deadline; it is always a challenge when we go to another venue and they are still serving the main course at 1 p.m.

And to my Executive team who were helpful and supportive—John Niles, Catherine Swift, and Charlie Coffey—many thanks. Also to Bart Mindszenthy, our immediate Past President, who continued to spend many hours on Club activities in spite of having to rebuild his public relations practice.

Last but not least, my thanks to those many Directors and Past Presidents who assisted me this year.

The Final Word

When the French statesman Abbe Emmanuel Joseph Sieyes was asked what he had done during the French Revolution, he replied "J'ai vecu—I survived." No doubt most Presidents of the Empire Club at the end of their year and certainly this one can ascribe to this sentiment.

For me personally, it was a most interesting, rewarding and demanding year. I joined the Empire Club in the year of Nona MacDonald's presidency so it took me almost 20 years to warm to the presidency. To quote from my predecessor's remarks at last year's annual meeting—"Nothing really prepares you for the job, and nothing is ever static or very easy."

In a few minutes, I join the ranks of 103 Past Presidents of the Empire Club. I look forward to continuing to participate in Club activities as an active and involved Past President.

As a senior citizen and grandfather, I am somewhat older than the Club's immediate Past Presidents. I note this fact not because I am self conscious about my age but to note there are legions of people my age who have the time, interest and the inclination to contribute to the Empire Club; they just have to be recruited. We have made a start with our new Director, Stanley Hartt, who while still active in business, was my college professor over 40 years ago in Montreal.

Thanks to my wife Carolyn for her forbearance this past year. I will again be able to go windsurfing with you at Marguerita Island next winter. To my grandson Graydon in Vancouver whom I have not seen since Christmas, I will see you in July. To my granddaughters Victoria and Darcy in London, I will see you next week.

I thank the Empire Club of Canada for the opportunity to serve as its 103rd President. And finally, all the best to my successor, the Rev. Dr. John Niles, MSM.

Respectfully submitted,

William G. Whittaker
President

Report of the Nominating Committee

June 22, 2006

John Koopman

Mr. President, fellow Directors, members of the Empire Club of Canada, it is my pleasure to substitute for the Chairman of the Nominating Committee to report on the work of the committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The Empire Club's Constitution requires the Nomination Committee to consist of five members of the Board of Directors and four other members of the Club. At the last Board meeting, I proposed the following names and received unanimous support for the following committee members:

Bart Mindszenthy—Chair
Tonie Chaltas
Jocelyne Côté-O'Hara
John Koopman
Jo-Ann McArthur
John Niles
Dale Orr
Catherine Swift
Bill Whittaker

Honorary Officers

It is the recommendation of the committee that the following continue to serve as Honorary Officers for the 2006–2007 season:

Honorary Chairman
The Hon. Henry N. R. Jackman, OC, KStJ, OOnt, CD, LLB, LLD

Honorary President
Her Excellency, The Rt. Hon. Michaëlle Jean, CC, CMM, COM, CD, Governor-General of Canada

Honorary Vice-President
The Hon. James K. Bartleman, OOnt
Lieutenant-Governor of Ontario

Honorary Chaplain
The Rt. Rev. Colin J. Johnson

Honorary Secretary
The Hon. David Crombie

Honorary Treasurer
Hartland M. MacDougall, CVO, OC

Honorary Solicitor
The Hon. William G. Davis, PC, CC, QC

Honorary Directors

It is the recommendation of the committee that the following continue to serve as Honorary Directors for the 2006–2007 season: Leland H. Ausman, Jocelyn Badovinac, UE, DH, OLJ, MMLJ, MEd, Willis Blair, Mary. R. Byers, The Hon. Barnett J. Danson, PC, A. Carlyle Dunbar, Major William A. Duncan, CD, William J. McCormack, CA, Larry Stout, J. A. William Whiteacre, MM, CD, QC.

Directors

According to the Club's Constitution "the Board shall consist of forty members, including at least four Past Presidents of the Empire Club of Canada, one of whom shall be the immediate Past President and the other three shall be the Past Presidents immediately preceding the immediate Past President, if willing to serve."

Therefore, in recognition of this constitutional requirement, the committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, Bill Whittaker, and Past Presidents Bart Mindszenthy, John Koopman, and Ann Curran.

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

Edward P. Badovinac
Lisa Baiton
The Rev. Canon Kim Beard
Roxanna Benoit
L.Col. A.G. (Sandy) Cameron
Diana Conconi
Verity Craig
Heather C. Devine
Heather Ferguson
Anne Fotheringham
Kamal Hassan
Stephen Hewitt
Duncan N. R. Jackman
David L. Lindsay
Pat Mills
Sylvia Morawetz
Doug Morris
Lou Natale
Kevyn Nightingale
Tim Reid
Rocco Rossi
Margaret M. Samuel
Robin V. Sears
Ken Shaw
C. Alexander Squires
Effie Triantifiloupoulos
William F. (Bill) White

Resignations

I take this opportunity to thank Bonnie Brownlee, Fred

Gorbet, Louden Owen and Malcolm MacKillop for their past contributions to the Empire Club of Canada.

New Directors

The Nominating Committee is pleased to nominate the following new members for the Board of Directors:

The Hon. Madam Justice Mary Lou Benotto
Stanley Hartt, OC
Richard Goodall, CA
and one current officer who will return to the Director's Table
Charles Coffey, OC

Officers

In addition to the above-mentioned nominees, the committee recommends the election of the following as Club officers:

1st Vice-President and President-Elect
Catherine Swift

2nd Vice-President
Don McCutchan

3rd Vice-President
Jo-Ann McArthur

The Nominating Committee is pleased to report that Alex Squires and Kevyn Nightingale have agreed to continue as the Club's Secretary and Treasurer respectively.

Finally, your committee is pleased to nominate as President of the Empire Club of Canada for its 2006–2007 season Rev. Dr. John Niles.

Respectively submitted,

Barts Mindszenthy
Chair, Nominating Committee

John Koopman moved that the report of the Nominating Committee be accepted and approved by members in attendance at this meeting.

The motion was seconded by Sylvia Morawetz.

Rev. John Niles moved to close nominations.

Ed Badovinac seconded the motion to close nominations.

The Secretary Alex Squires then cast a single ballot in favour of those persons named in the report in accordance with Article III 3.

President William Whittaker then declared the Directors properly elected and adjourned the meeting.

THE EMPIRE CLUB OF CANADA
Membership 2005–2006

Life Members

William Allan
BGen. Stephen & Mrs. S. F. Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward P. Badovinac
Joseph Batty
Willis L. Blair
R. L. Broad

Mrs. Charles Carter
George L. Cooke
Mr. & Mrs. Elgin E. Coutts
Nola Susan Crewe
Mrs. Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio DelZotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Col. C. Sidney Frost Jr.

George Raymond Gibson
Patricia A. Grand
Wayne Scarisbrick Gray

George S. Hanson
Paul T. Hellyer
Roland E. Henderson
Adam B. T. Hermant
Peter Hermant
John D. Herrick
Dorothy Hobbs

Arthur Inwood

Dr. & Mrs. Frederick L. R. Jackman
The Hon. Henry N. R. Jackman
Willy Jong
Friederich Jung

John Kemp

George R. Laidlaw
Anne Lato
Kenneth Legge
Eric N. Lehner
James D. Lewis
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

Nona Macdonald Heaslip
Colin MacKenzie
John A. & Gail MacNaughton
Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
James W. McCutcheon
Konrad R. W. Mech
Mr. & Mrs. Edwin Mirvish
D. V. Mosher

John F. Nagel
Chris Nickerson

Maj. R. B. Oglesby

Norman Pearson
Dr. Sheila Pollock
BGen. D. A. Pryer

Stevan Ralph
Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H. F. Roberts
Helen E. Roman Barber
HCol. R. C. Rutherford

J. A. Seyfried
Mrs. H. R. Shaver
Sam Sniderman
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder

Graham John Tappin
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
LCol. P. J. Tuz

Andrew Stephen Zarnett

Senior Members

D. S. Affleck
H. H. Alexander
R. F. K. Anthony
Bluma Appel
G. Warren Armstrong
Marvin S. Arnold
Douglas B. Astley

Bill Bahen
R. F. Baines
Betty Balmer
Sonja Bata
K. J. Beamish
Josephine Beard
Ruth Beaucage
Fred E. Becker
Dr. Henry Berry
Barbara Birchwood
William B. Bot
David Buck
Roel C. Buck
Alexander Budrevics
Faye Arundell Burdick
Libby Burnham
Mary R. Byers

LCol. A. G. Sandy Cameron
BGen Peter Cameron
Mac D. Campbell
E. J. Chard
Christina Chruszez
John H. C. Clarry
James H. Claydon
J. M. Coker
HCol. William J. Coyle
Noel Croxon
Rita Culnan
Dr. Kalman N. Czegledy

Thomas P. D'Aqino
R. G. Dale
Hon. Barnett Danson
S. Darveshali
Michael B. Deeb
Mihajlo & Mara Dika
A. Carlyle Dunbar
Veena Dutta

Stuart E. Eagles
Harold H. Elliott

Rev. A. Fedrigucci
Peter B. G. Ferguson
George Fierheller
Robert J. Fleming
Lloyd S.D. Fogler
Don Forsey
Carl Fox
Betty Fraser

Murray G. Galloway
Fred Gaskin
Graeme Goebelle
Lionel J. Goffart
Dr. M. E. Graham

Paul Haberl-Schicker
Ann Hamilton
C. L. Haney
T. M. Hannan
Ruth Hart-Stephens
Keith C. Hendrick
Marion Heslewood
Donald E. Hewson
Tom Hockin
Ying Hope
Col. P. W. Hunter
Julien Hutchinson

John W. Irwin

Aileen Jackson
Bernice Jackson
Thomas G. Jamieson
Shirley Jesel Mills
Don K. Johnson

Frances Kandarian
Taimi Kapsi Cushing
Carrie Kaye
Netta Keaton
Clayton Keefe
Norman Keyes
Barry Khojajian
George Kibedi
Harry Kim
C. Wallis (Wally) King
Gene Kinoshita
Marie Knaul
LCol. Gerhard A. W. Knopf
Ted W. Kulp

Peter Large
Andrew Lawson
Bernie Leaman
Laura Legge

John Leitch
David L. Lestor
J. P. Liddle
Mary Liitoja
Arlette Londes
Margit Lovrics

Dr. H. Ian Macdonald
Glory M. MacIntyre
Robert K. Mackenzie
Rev. Arthur Macrae
Dr. Irene C. W .S. Mahoney
Margaret McCain
G. Chester McClure
Joyce McKeough
Marjorie McLetchie
Eileen R. McNeil
John C. Medcof
R. C. Meech
Dr. Daniel M. Mehta
J. Alexander Menzies
P. W. Musselman

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Edwin T. Nobbs
Margaret Nosworthy
Joe Nusca

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Krystyna J. Orlowski
Col. Edmunds Ozols

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Darcy Rector
Victor Reigel
Walter Roberts
Ronald N. Robertson

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Marie Scanlan
J. Ross Schofield
J. Kenneth Scott
Bill Sears
R. Dorene Seltzer
Robert C. Sherwood
John Sibbald
Oscar T. Sigsworth
Oskar Sigvaldason
Doreen Sloggett
M. E. E. Smith
John S. Smith
Catherine M. L. Smith
Gerald M. Soloway
Shael S. Sone
Dr. Jerzy Sosnowski
Sinclair M. Stevens
Robert V. Stinson
Gunter Strangemann
Thomas John Succamore
Ann Summers Dossena
Gordon W. Swayze
John H. Switzer
Prof. Thomas H. Symons

Hon. M. M. van Camp
Shirley Velletta
W. Roy Vincent

David J. Walker
Richard L. Whittington
Hon. Michael H. Wilson
Marie Wilson-Sanders
Marina Winters

Paul A. Yocom
Ernst Younes

Michael Zygocki

Regular Members

Stephen Adler
Roderick Albrecht
T. James Allen
J. Scott Allinson
Hassan Altaf
Peter Altimas
Anuj Anand
Ellen Anderson
Paul Ankrett
Dr. Antoine Aouad
Nicholas Armour
Upkar Arora
Anthony H. Arrell
Toni Ashton
Sonia Atmeksian
Lisa Azzuolo

Lisa A. Baiton
Gordon R. Baker
Michael Ballantyne
John F. Bankes
Garnet R. Barber
Nick Barisheff

Dr. Luis Barreto
Judy E. Barrie
Alain Batty
Rev. Canon Kimberley J. Beard
Ghislain Beaudin
Jocelyn Beaudoin
Pierre Beaumier
Warren Bell
Avie Bennett
Roxanna Benoit
Gary B. Bettman
Ted Betts
Aziz M. Bhaloo
Sardool Bhogal
Capt. W. (Sam) Billich
Jack Bingham
Mark Binns
David Boileau
Connie Bonello
Peter N. Borst
Laura Boston
John Bourque
David N. Bowden
Lee James Bowes
Jennifer Bowman
Bruce Bowser
Richard Boxer
Lydia M. Boyko
Sean Boyle
Gordon Braun-Woodbury
Marcus Breitschwerdt
Robert L. Brooks
Hugh M. Brown
Robert Bryce
Andrew Buntain
Edward Burrow
Anna Lankford Burwash
Jeannie Butler
Brad Butt
Sven Byl

Arnice Cadieux
Helena Cain
Ruth Cameron
Terry Campbell
John A. Campion
Richard Cantin
Mike Canzoneri
John Capobianco
David Cardin
Tonie Chaltas
David Chambers
Catherine R. Charlton
Bill Charnetski
Gary Chateram
Patty Chilton
Roberta Chow
Barry Chuddy
Louise Clare
Dr. Ian Clark
Peter J. Clarke
Michael Coates
Charles S. Coffey
Barbara Collins
Gary Collins
Diana Conconi
Gerry Connelly
Shawn Scott Cooper
Barbra Cooper
Bob Copeland
Rafael Cortes
Joan M. Costa
Alec Couckuyt
Verity Craig
J. S. Crichton
Ann Curran
Barry Cybuchowski

Timothy Daciuk
Tom Dalinda
Aubrey Dan
Robert M. Davies
Donald L. Davis
Paul Davis
Douglas A. R. Davis
Michael Dector
Michael Dell
Heather Devine
Rueben Devlin
Stephen Dibert
Richard Dicerni
Fred Dilkes
Charles Dillingham
Brian Dominique
John Franklin Domsy
John Dowd
Elizabeth Dowdeswell
Maj. M. A (Peggy) Downes
Dragan Draganjac
Brad Dugard
Colleen Duke
Stephen Dulmage
Julia N. Dumanian
H. James Duncan

Dr. Alfred Egedovo

Kyle Einhorn
Michael Ellis
Rob El-Sayed
John H. Emery
Istvan Emri
Daniela Liliana Cretu Enache
Jake Epp

Jean Faulds
Heather Ferguson
Sharon Flashford
Ruth Fothergill
Leo Fournier
Pamela Fralick
Hugh Franks
Landon French
Peter Friis
Susan Fulford
John Fulford-Brown

Melanie C. Gaertner
Daniel Gallissaires
Josette Garoufallis
Maria Gatzios
Ed Gibbs
Paul Gibson
Neil Gilbertson
Philip Goldsmith
Richard Goodall
David Goodwin
Fred Gorbet
Katharyne Goshulak
Paul J. Gould
David J. Grace
Michael Graham
Bobbi Greenberg
Stan Griffin
Howard Gross
H. Donald Guthrie
Ryan Guthrie

Heather Haigh
Julie K. Hannaford
Lars Hansen
Nabil Harfoush
Megan M. Harris
D. Harris
Michael Harrison
Brett Harrison
Randolph (Randy) M. Harwood
John Have
Duncan Hawthorne
Gabriel J. Hayos

William Hazelton
Kathryn Hendrick
Lars Henrickkson
Rives Dailey Hewitt
Stephen Hewitt
Nai Chi Ho
W. Thomas (Tom) Hodgson
Doug R. Hogan
Meredith Hogan
Beth Horowitz
Tim Hourigan
John Hrycak
Jaime Hugessen
Angella Hughes
Susan Hunt
Richard Hunter
G. Alan Hutton

Anthony Iantorno
Christian Imier
Jim Irving

Rev. Edward J. R. Jackman
Duncan N. R. Jackman
Don Jackson
Dr. Eric M. Jackson
Eric Jacob
Mazher Jaffery
Kent James
Roberta Jamieson
Helen Janca-Scott
Peter Jobling
Rt. Rev. Colin R. Johnson
Tom Johnson
Mark Johnston
Michael Jolliffe
Steve Jones

Michael Kacaba
Rasool Kaleema
Raja Kanaga
Shamsh Kara
Mustafa Kassam
Mark Kassirer
Alik Kassner
Koichi Kawakami
C. A, (Kit) Kennard
Phillip Khaiat
Marc Kielburger
June Knapp
Tom Koger
John Koopman
Raj Kothari

Michael Krause
Stan Krol
Dr. George Krynski
Michael Krywenky
Krystyna Kupfer

Bill Laidlaw
Anne J. Lamont
Michael Landry
John Lang
Michael Langstaff
Bob Lank
Joe Lassaline
Jack Lawrence
Lt. Douglas Layton
Jessica LeCroy
Viktor O. Ledenyov
Michel Leduc
Bernard Lette
Sheldon Levy
Trevor Lewis
Ariel Liang
J. Mark Lievonen
Dave Lindsay
John Loosemore
Bob Lopinski
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John Yakabuski
Andrew Yui

Farhan Zahir
Shahrokh Zangeneh
Steve Zinck
Luke L. Zych

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Roy & Marny Loach
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J. A. Wm. Whiteacre & Lorna Kelly Whiteacre
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Ke (Christine) Zhan & Guiping (David) Xu

Student Members

Irene Berkowitz
Leena Bukhari

Francisco Carlos
Robert Carmona
Marcin Ciesielski

Alexander Edmison

Matthew Kupfer
Stephen Kupfer
Cesar Kupfer Jarmain

Alexander McColl

Michael Olson

Roland C. Pajares

Hershel Stuart Recht
Marc Reeve-Newson

Enzo Verrilli

Xiaopeng Wang
Steven Wang

Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the financial position of the Empire Club of Canada as at June 30, 2006 and the statements of earnings and net assets and cash flows for the year then ended. These financial statements are the responsibility of the club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the club as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
October 6, 2006

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position for the Year Ended June 30, 2006 with Comparative Figures for 2005

	2006	2005
Assets		
Current Assets		
Cash	$ 111,477	$ 66,383
Short-term investments (note 2)	$332,196	$332,782
Accounts receivable	72,289	33,250
Prepaid expenses	1,848	1,971
	517,810	434,386
Capital Assets (note 3)	1	1
	$517,811	$434,387
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 70,446	$ 17,798
Due to the Empire Club Foundation	—	26,000
Deferred revenue	2,965	6,285
	73,411	50,083
Net Assets		
Unrestricted	444,400	384,304
Commitments (note 4)		
	$517,811	$434,387

Signed on behalf of the Board
Kevyn Nightingale
Treasurer

William Whittaker
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Cash Flows for the Year Ended June 30, 2006 with Comparative Figures for 2005

	2006	2005
Cash provided by (used in):		
Operations		
Net earnings	$ 60,096	$ 50,477
Changes in non-cash operating working capital:		
Short-term investments	586	(3,883)
Accounts receivable	(39,039)	(4,041)
Inventories	—	1,680
Prepaid expenses	123	2,107
Accounts payable	52,648	(33,131)
Due to the Empire Club Foundation	(26,000)	1,000
Deferred revenue	(3,320)	(346)
	45,094	13,863
Increase in Cash	45,094	13,863
Cash, Beginning of Year	66,383	52,520
Cash, End of Year	111,477	66,383

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

William Whittaker
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA

Statement of Earnings and Net Assets for the Year Ended June 30, 2006 with Comparative Figures for 2005

	2006	2005
Revenue		
Luncheons revenue:		
Regular	237,362	201,539
Special and joint	248,500	137,752
	485,862	339,291
Direct expenses:		
Regular	185,227	159,836
Special and joint	164,887	91,488
	350,114	251,324
Other revenue:		
Head table sponsors	112,000	112,745
Membership fees	30,436	31,729
Interest	11,917	5,333
Other		320
	290,101	238,094
Expenses		
Office salaries and employee benefits	93,209	83,895
Office and general	59,688	35,603
Yearbook donation and sundry	35,000	25,000
Members' notices	16,611	16,281
Rent	13,680	13,264
Printing, stationery and postage	4,486	6,490
Telephone	7,243	6,021
Bad debts (recovery)	(1,003)	585
Meetings	1,091	478
	230,005	187,617
Net Earnings	$ 60,096	$ 50,477
Net Assets, Beginning of Year	$384,304	$333,827
Net Assets, End of Year	$444,400	$384,304

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements for the Year Ended June 30, 2006

1. *General*

The Empire Club of Canada (the "club) was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the club is to provide a forum for prominent people to address members of the club and their guests on topics of current interest.

2. *Significant Accounting Policies*

(a) Revenue Recognition

The club follows the deferral method of accounting for contributions. Membership revenue is recognized as revenue in the year to which the membership relates. Luncheon revenue and sponsorships are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and interest are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Short-term Investments

Short-term investments are recognized at the lower of cost or market.

(c) Capital Assets

Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as office and general expenditures in the year acquired.

(d) Due to the Empire Club Foundation

A donation to the Empire Club Foundation for the estimated cost of supplying the foundation's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue

Deferred revenue consists of membership fees paid in advance, unredeemed luncheon tickets and life memberships not yet amortized. Life memberships are amortized into revenue over the expected 30-year life of a member. Effective April 30, 2002, life memberships are no longer offered; however any remaining balances will continue to be amortized over their remaining terms.

(f) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. *Short-term Investments*

Short-term investments are comprised of liquid, fixed income securities which mature between June 2007 and May 2015, and money market mutual funds. The fair market value of these short-term investments is $332,196 (2005–$332,782)

4. *Capital Assets*

During the year, $7,260 (2005—$4,288) in computer equipment and software was expensed as office and general expenditures.

5. *Commitments*

The club has entered into a lease agreement for premises expiring on September 30, 2007.

Minimum annual lease rental payments under this agreement are as follows:

2007	10,740
2008	2,685
	$13,425

6. *Fair Value of Financial Instruments*

The carrying value of cash, accounts receivable, accounts payable, due to the Empire Club Foundation and deferred revenue approximate their fair values due to the relatively short periods to maturity of these instruments or because they are receivable or payable on demand.

7. *Comparative Figures*

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

THE EMPIRE CLUB FOUNDATION

June, 2007

Fellow members,

In the 2005–2006 season, under the leadership of long-time Empire Club stalwart Mr. Bill Whittaker, the Empire Club of Canada has continued to provide a forum for the intellectually curious and the socially active. His leadership has led the Club to further build upon its legacy and continue to cement its reputation as the leading speakers' forum of record in the country.

This year's speeches, like prior speeches, provide interesting insights into the thoughts of a variety of principals and commentators on contemporary issues. While in some speeches the issues addressed are striking in their novelty, in other speeches the issues addressed are striking in the similarity of the concerns addressed with speeches made to our Club a century ago.

As in prior years the Empire Club of Canada has worked hard to keep luncheon tickets modest in price in order to make them as accessible as possible to all. We are proud of the fact that the Empire Club of Canada offers a price and value relationship unparalleled in the Toronto speakers' circuit. Notwithstanding our usual parsimony with Club funds, with the purchase of a new banner and backdrop for the luncheon speeches we are hopeful that President Whittaker will be the last Empire Club President upon whom our banner has collapsed.

Although this physical volume remains, and will always be, an important part of the activities of the Empire Club Foundation, we are encouraged by the ever-increasing popularity of our Web site which contains the text of all speeches ever made to the Empire Club of Canada. We believe that this Web site is and will be an invaluable resource for anyone who believes that understanding the past might in some small way improve the future.

This yearbook is funded through the generosity of the many members and friends of the Empire Club of Canada. On behalf of the Empire Club Foundation I thank everyone who has helped continue to grow our tradition.

Sincerely,

John C. Koopman
Chairman

THE EMPIRE CLUB FOUNDATION

Patron

Col. The Hon. Henry N. R. Jackman, OC, CD, KStJ, LL.D

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Honorary Treasurer: Richard Goodall, CA
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John F. Bankes
Mary R. Byers
C. Warren Goldring
Ronald Goodall, FCA
Frederick L. R. Jackman, CStJ, PhD, LL.D
Gareth S. Seltzer
Harry T. Seymour

THE EMPIRE CLUB FOUNDATION CONTRIBUTORS
April 30, 2005–April 30, 2006

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David Edmison
Warren Goldring
William Heaslip
The Hon. Henry N. R. Jackman
William White

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FNF Canada Company
The Hermant Family Foundation
The Jackman Foundation
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Harry Seymour
Transcanada Power Marketing Ltd.

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Bullion Marketing Services Inc.
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Bosch Inc.
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Shirley Jesel
Kapuskasing Public Library
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Lawrence & Company Inc.
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S.R. McMorran
Margaret Pearcy
Darcy Rector
R. Bredin Stapells
Glenn Walker

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of the Empire Club Foundation as at April 30, 2006 and the statement of earnings and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2006 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
July 27, 2006

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Financial Position for the Year Ended April 30, 2006 with Comparative Figures for 2005

	2006	2005
Assets		
Current Assets:		
Cash	$ 38,714	$ 36,529
Short-term investments	60,000	100,000
Interest receivable	454	927
Due from the Empire Club of Canada	35,000	25,000
GST receivable	11,388	8,598
	$145,556	$171,054

	2006	2005
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 93,752	$126,396
Net Assets	51,804	44,658
	$145,556	$171,054

Signed on behalf of the Board

David Edmison
Past Chairman

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Earnings and Net Assets for the Year Ended April 30, 2006 with Comparative Figures for 2005

	2006	2005
Revenue		
Donations:		
The Empire Club of Canada	$ 36,000	$ 25,000
Supporters	19,585	6,594
Other income	—	351
Interest	1,782	928
	$ 57,367	$ 32,873
Expenses		
Yearbook	45,000	49,979
Stationery, postage and other expenses	5,221	5,025
	$ 50,221	55,004
Excess (Deficiency) of Revenue over Expenses	7,146	(22,131)
Net Assets, Beginning of Year	44,658	66,789
Net Assets, End of Year	$ 51,804	$ 44,658

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 2006

1. *The Foundation*

The Empire Club Foundation (the "Foundation") was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to the Empire Club of Canada, to the club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policies*

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Those estimates are reviewed periodically and as adjustments become necessary, they are reported in the years in which they become known.

(a) Revenue Recognition:

The Foundation includes donations in revenue when received, except for donations from the Empire Club of Canada, which are included in revenue when pledged.

(b) Expenses:

The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Statement of Cash Flows*

A statement of cash flows has not been presented as it would not provide any additional meaningful information.

4. *Fair Value of Financial Assets and Financial Liabilities*

The carrying values of cash, short-term investments, interest receivable, due from the Empire Club of Canada, GST receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short term to maturity of these items or because they are receivable or payable on demand.

CONSTITUTION

The Empire Club of Canada By-Law No. 1

Being a special by-law relating generally to the administration of affairs of The Empire Club of Canada

CONTENTS

ARTICLE I *Definitions and Interpretation*
ARTICLE II *Business of the Club*
ARTICLE III *Purpose and Object of the Club*
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ARTICLE V *Directors*
ARTICLE VI *Meetings of The Board*
ARTICLE VII *Committees*
ARTICLE VIII *Officers*
ARTICLE IX *Regular, Special and Annual Meetings*
ARTICLE X *Fiscal Year*
ARTICLE XI *Not-For-Profit Corporation*
ARTICLE XII *Amendment of By-Laws*
ARTICLE XIII *Auditor*
ARTICLE XIV *Indemnification of Directors and Officers*
ARTICLE XV *Financial Matters*

The following is hereby enacted as By-Law No. 1 of The Empire Club of Canada (hereinafter called the "Club"):

ARTICLE I *Definitions and Interpretation*

Section 1.01 Definitions

In this By-Law, the following words and phrases shall have the following meanings, respectively:

a) **"Act"** means the *Corporations Act*, R.S.O. 1990, c.C.38 as amended, and every statute that may be substituted therefore and, in the case of such substitution, any reference in the By-Law of the Club to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;

b) **"Board"** means the board of Directors of the Club;

c) **"By-law"** means this By-Law and all other by-laws and special by-laws from time to time in force and effect;

d) **"Club"** means the corporation incorporated by Letters Patent issued on the 26th day of March 1912, pursuant to *The Ontario Companies' Act* and operating under the name of The Empire Club of Canada;

e) **"Notice"** means, the provision of information, orally, or in writing, and may be communicated via telephone, facsimile transmission, publication, or electronic mail, and is deemed to be effective on the date the notice is sent or published, and such Notice shall be sufficient if addressed to the Members at their respective Recorded Address, and deposited post paid in the post office in Toronto;

f) **"Recorded Address"** means, in the case of a Member, his or her address as recorded in the register of Members and, in the case of a Director, Officer, auditor or member of a committee of the Board, his or her address as recorded in the records of the Club;

g) **"Registered Office"** of the Club will be at such location in the City of Toronto as determined by the Board from time to time;

h) **"Special Resolution"** means a resolution passed by the vote of at least two-thirds of the Members present and voting at a duly convened meeting;

i) **"Member"** means a member of the Club; and

j) **"Officer"** means those officers of the Club set out in Article VIII.

Section 1.02 Interpretation

This By-Law shall be interpreted in accordance with the following, unless the context otherwise specifies or requires:

a) Words importing the singular number or the masculine gender shall include the plural number or the feminine gender, as the case may be, and vice versa, and references to persons shall include individuals, firms and corporations; and

b) Headings used in this By-Law are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

Section 1.03 Repeal of Previous By-Laws

All previous By-Laws relating to the administration of the affairs of the Club are hereby repealed and replaced with this By-Law.

ARTICLE II *Business of the Club*

Section 2.01 Name

The name of the Club is "The Empire Club of Canada."

Section 2.02 Registered Office

Until changed in accordance with the Act, the Registered Office of the Club shall be in the Province of Ontario and at such location therein as the Board may, from time to time, determine by resolution.

Section 2.03 Corporate Seal

The seal, an impression whereof is stamped in the margin hereof, shall be the seal of the Club.

ARTICLE III *Purpose and Object of the Club*

The purpose and object of the Club is to promote the interests of Canada and the British Commonwealth of Nations.

ARTICLE IV *Membership*

Section 4.01 Classes of Members

The membership of the Club shall consist of:

a) Life Members;
b) Senior Members
c) Regular Members;
d) Junior Members; and
e) Spousal Members

All members of classes (a), (c), and (e), must be the full age of eighteen years (excepting Senior Spousal Members), and otherwise have the capacity under law to contract.

Section 4.02 Life Members

Members of the Club in good standing may be elected to be Life Members by a two-thirds majority of those present at a Board meeting. Life Members shall pay one fee only, variable by age of the applicant, as may be fixed and published from time to time by the Board of Directors.

Section 4.03 Senior Members

Senior Members of the Club shall be of such age, and employment status, as determined by the Board of Directors from time to time.

Section 4.04 Regular Members

Candidates for Regular Membership shall be proposed by a Member in good standing and shall be elected by a two-thirds majority of those present at a Board meeting.

Section 4.05 Junior Members

Candidates for Junior Membership shall be between the ages of 14 and 35 years, proposed by a Member in good standing, and elected by a two-thirds majority of those present at a meeting of the Board of Directors.

Section 4.06 Spousal Members (Regular and Senior)

Spousal Members are charged annually a lesser membership fee for a spouse living at the same address as a Regular Member, Junior Member, or Senior Member.

Section 4.07 Membership Fees

a) All Members (excepting Life Members) shall pay respectively such annual fees as may be fixed and published from time to time by the Board of Directors;
b) All Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the 30th day of September in the following year; and
c) For all Members, membership shall end June 30, and if any Member is in arrears for fees after February 1 of the following year, such Member will no longer be considered in good standing.

ARTICLE V *Directors*

Section 5.01 Duties and Powers of Directors

The affairs of the Club shall be managed by a Board of Directors who may exercise all such powers and do all such acts and things as may be exercised or done by the Club.

Section 5.02 Number

The Board of Directors shall comprise 40 persons and shall include all of the following:

a) 30 Members;
b) The four Immediate Past Presidents; and
c) six Officers.

Section 5.03 Quorum

Ten Directors present at a meeting of the Board shall constitute a quorum.

Section 5.04 Qualification of Directors

Each Director shall:

a) be at least eighteen (18) years of age;
b) be a Member of the Club;
c) not be an undischarged bankrupt; and
d) have the capacity under law to contract.

Section 5.05 Nomination and Election of Directors

Nominations for election as Director at the Annual Meeting of the Club may be made in accordance with the following process:

a) The Board shall charge a committee with responsibility for the nominations process relating to the election of Directors, (the "Nominating Committee"), which shall consist of five Directors and four other Members of the Club;

b) The Nominating Committee shall be appointed annually by the Board of Directors in accordance with Article 7.01;

c) The Nominating Committee shall prepare a list of the nominations for Directors for the ensuing year;

d) The Chair (or acting Chair) of the Nominating Committee shall report the nominations to the Annual Meeting at which the Board of Directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of Director at the Annual Meeting;

e) If nominations do not exceed the number of Directors necessary, the Chair of the meeting may instruct the Secretary to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the Chair to have been duly elected;

f) If the nominations exceed the number of Directors necessary, the Chair will call for a show of hands, unless a poll be demanded by the Chair or by any candidate for election. Upon a show of hands every member having voting rights shall have one vote and a declaration by the Chair that a resolution has been carried or not carried followed by an entry to that effect made in the minutes of the Club shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes accorded in favour or against such resolution. The demand for a poll may be withdrawn, but if a poll be demanded and not withdrawn the question shall be decided by a majority of the votes cast and such poll shall be taken in such manner as the Chair shall direct. The result of such poll shall be deemed the decision of the Club upon the matter in question. In the event of the equality of the votes cast, whether by a show of hands or by a poll, the Chair shall be entitled to a second or casting vote; and

g) No person shall be elected a Director unless he is a Member in good standing.

Section 5.06 Honorary Directors

A Member, whose service to the Club has been exemplary, may be elected to the position of Honorary Director annually by a two-thirds majority of Directors, subject to re-election.

Section 5.07 Remuneration of Directors

The Directors shall receive no remuneration for acting as such.

Section 5.08 Casual Vacancies

In the event of any vacancy occurring in the office of Director, the remaining Directors may fill the vacancy from among the Members for the unexpired portion of the term of office of the person whose office is vacant.

ARTICLE VI *Meetings of The Board*

Section 6.01 Procedure

The procedure for regular Board meetings is as follows:

a) Board meetings shall be called by the President, or on a requisition signed by ten Directors;

b) The President shall, when present, preside at all meetings of the Members and of the Board of Directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority, shall act as Chair at such meetings;

c) Questions arising at any meeting of the Directors shall be decided by a majority of votes unless otherwise specifically provided by statute or this By-Law. In the case of an equality of votes, the Chair of the meeting, in addition to his original vote, shall have a second or deciding vote;

d) All votes at any meeting shall be taken by ballot if so demanded by a majority of Directors present, but if no demand be made, the vote shall be taken by a show of hands; and

e) A declaration by the Chair of the meeting that a resolution has been carried and an entry to that effect in the minutes shall be admissible in evidence as prima facie proof of the fact without proof of the number of proportion of the votes recorded in favor of or against such resolution.

Section 6.02 Notice

a) Notice shall be given to each Director and Honorary Director five days or more before the Board meeting is to take place, provided that a Board meeting may be held at any time if all Directors are present or if those absent have waived Notice or otherwise signified their consent to such meeting being held in their absence, in writing;

b) Notice of regular Board meetings may be given via telephone, facsimile transmission or electronic mail to each Director, and Honorary Director;

c) Waiver of Notice may be given via facsimile transmission or electronic mail to each Director, and Honorary Director; and

d) The Board may appoint a day or days in a month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

ARTICLE VII *Committees*

Section 7.01 Standing Committees

The following standing committees and the Chair of each shall be appointed by the Board of Directors as soon as convenient after each election of the Board:

a) Budget and Finance Committee;
b) Speaker's Committee;
c) Membership Committee;
d) Constitution and Corporate Governance Committee;
e) Reception Committee;
f) Publicity and Public Relations Committee;
g) Yearbook Committee;
h) Head Table and Attendance Committee; and
i) Nominating Committee;

provided that for any year the Board of Directors may by resolution elect not to appoint any one or more of such committees.

Section 7.02 Other Committees

The President or the Board of Directors may from time to time appoint such other Committees as may be deemed expedient, necessary or appropriate for such purposes and with such powers as the President or the Board shall see fit. Any such Committee may formulate its own rules of procedure, subject to such regulations or directions as may from time to time be made by the President or the Board.

Section 7.03 Removal from Committees

Any committee member may be removed by resolution of the Board.

ARTICLE VIII *Officers*

Section 8.01 Appointment of Officers

The Board of Directors shall meet as soon as convenient after their election for the purpose of appointing the Officers of the Club for the period ending June 30th in the next year, but each Officer shall continue in office until his successor is appointed. No notice of the meeting to appoint new Officers is required if this meeting is held immediately after the Annual Meeting.

Section 8.02 Honorary Officers

The Honorary Officers of the Club shall consist of the following:

a) Honorary President;

b) Honorary Vice-President;
c) Honorary Chairman;
d) Honorary Secretary;
e) Honorary Treasurer; and
f) Honorary Solicitor.

Section 8.03 Officers

The Officers of the Club shall consist of the following:

a) President;
b) First, Second and Third Vice-Presidents;
c) Secretary; and
d) Treasurer.

Section 8.04 Qualifications

a) All Officers other than Honorary Officers shall be Directors of the Club;
b) No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a Member in good standing; and
c) In the event of a vacancy occurring in any office, the Board of Directors may fill the vacancy for the un-expired portion of the term.

ARTICLE IX *Regular, Special and Annual Meetings*

Section 9.01 Regular Meetings

The Club shall hold Regular Meetings weekly, if possible, from September to June, inclusive, with such intermissions as may from time to time be determined by the Board of Directors.

Section 9.02 Special Meetings

Special Meetings of the Club may be called at any time by the President, or on a requisition signed by ten Directors.

Section 9.03 Annual Meetings

The Annual Meeting shall be held not later than June 30th of each year. At the Annual Meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim financial report from the Treasurer.

Section 9.04 Notice of Meetings to Members

a) Notice of all Regular Meetings shall be given to all Members of the Club at their Recorded Address;
b) Notice of all Special and Annual Meetings shall be given to all Members of the Club at least ten days prior to the date upon which the meeting is to be held; and
c) The accidental failure or omission to give notice to any Member shall not invalidate the proceeding at any meeting.

Section 9.05 Quorum at Meetings

Sixteen Members in good standing shall constitute a quorum at any meeting of the Members of the Club.

Section 9.06 Limitation of Business at Regular Meetings

No business shall be introduced at any Regular Meeting of the Club by any person other than the Chair of the meeting, unless it has been approved by the Board prior to the meeting.

ARTICLE X *Fiscal Year*

The fiscal year of the Club shall end on such day in each year as may be fixed by the Board of Directors, but if not so fixed by the Board, it shall end on June 30.

ARTICLE XI *Not-For-Profit Corporation*

The Club shall be operated without the purpose of gain for any of its Members and any profits or other accretions to the Club shall be used in promoting the objects of the Club.

ARTICLE XII *Amendment of By-Laws*

The By-Laws of the Club may be repealed or amended by a by-law enacted by the Board of Directors and sanctioned by an affirmative vote of two-thirds (2/3) of the Members at a meeting duly called for the purpose of considering such repeal or amendment.

ARTICLE XIII *Auditor*

a) An Auditor shall be appointed at each annual meeting at a remuneration to be determined by the Directors.

ARTICLE XIV *Indemnification of Directors and Officers*

Section 14.01 Protection

For the protection of Directors and Officers:

a) No Director or Officer shall be liable for the acts, receipts, neglects or defaults of any other Director, Officer or employee or for any loss, damage or expense happening to the Club through the insufficiency or deficiency of title to any property acquired by order of the Board or for or on behalf of the Club or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Club shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or company with whom or which any moneys, securities or effects shall be lodged or deposited or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of such Director's or Officer's respective office or trust or in relation thereto, unless the same shall happen by or through such Director's or Officer's own wrongful and willful act or through his own wrongful and willful neglect or default.

b) Directors and Officers shall not be liable to the Club for any costs, charges, expenses, loss or liability which the Club shall suffer or incur for, by reason of, arising out of, or in any way relating to any act, deed, matter or thing made, done or permitted to be done or omitted to be done by him in the performance of his duties and functions (or in the performance of what he honestly believed was in the proper performance of his duties and functions), provided he acted or made such omission honestly, in good faith and without fraud or fraudulent intent.

Section 14.02 Indemnity

Every Director or Officer of the Club, and his heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Club from and against:

a) any and all costs, charges and expenses whatsoever which such Director or Officer sustains or incurs in or about any action, suit or proceeding that is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by him, in or about the execution of the duties of his office; and

b) any and all costs, charges and expenses that he sustains or incurs in or about or in relation to the affairs thereof, except such costs, charges or expenses as are occasioned by his own willful neglect or default.

Section 14.03 Insurance

The Board shall cause to be purchased such insurance as it considers advisable and necessary to ensure that Directors and Officers will be indemnified and saved harmless in accordance with this By-Law; the premiums for such insurance coverage shall be paid from the funds of the Club.

ARTICLE XV *Financial Matters*

Section 15.01 Authorized Signing Officers

Contracts, documents or other instruments in writing requiring the signature of the Club shall be signed by any two Officers and all contracts, documents, and instruments in writing so signed shall be binding upon the Club without any further authorization or formality. The Board shall have power from time to time by resolution to appoint an Officer or Officers on behalf of the corporation to sign specific contracts, documents and instruments in writing. Any financial obligation in excess of $25,000 to be incurred by the Club shall require Board authorization.

Section 15.02 Banking and Borrowing

a) Bank accounts of the Club shall be kept at such banks and in such places and shall be operated in such manner and by such person or persons as the Board shall from time to time determine by by-law.

b) The Board may from time to time:
   i) borrow money on the credit of the Club;
   ii) issue, sell or pledge debt obligations (including bonds, debentures, debenture stock, notes or other like liabilities whether secured or unsecured) of the Club;
   iii) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Club, including book debts, rights, powers, franchises and undertakings, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation; and
   iv) delegate the powers conferred on the Board under this paragraph to such Officer or Officers of the Club and to such extent and in such manner as the Directors shall determine.

Section 15.03 Investments

The Board may invest in any investments which are authorized by the Club's investment policy as determined by the Board from time to time.

Section 15.04 Trust Funds

a) No benefit given in trust to or to the use of the Club for endowment purposes shall be hypothecated, transferred or assigned to obtain credit or to receive funds except as allowed by the *Trustee Act* (Ontario);

b) The Secretary shall keep at the Registered Office of the Club copies of all testamentary documents and trust instruments by which benefits are given, bequeathed or devised to, or to the use of, the Club;

c) The Club shall apply any trust funds of the Club only to the designated purpose(s) for which such funds were intended. Under no circumstances shall the Club transfer any funds held in trust by the Club to any other individual or entity, unless such transfer complies with all applicable law, including without limitation, the *Charities Accounting Act* (Ontario) and the *Trustee Act* (Ontario); and

d) The Treasurer shall at least semi-annually provide an accounting to the Board with respect to all funds held in trust by the Club.